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MICROCHIPS

France seeks funds for troubled group

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World News

Airliner with 96 on board missing on French flight

A French Airbus A320 on a domestic flight from Lyon to Strasbourg went missing with 96 passengers and crew aboard. Police began searches in the Vosges mountains of eastern France but were hampered by fog. There was no distress signal.

Brooke to stay on

Britain's Northern Ireland minister Peter Brooke is to continue in his job, prime minister John Major said. Brooke offered to resign after criticism that he sang on Irish television hours after an IRA bombing which killed seven. Page 20; Observer, page 18

Berlin guards convicted

Two former East German border guards were convicted in Berlin of shooting a defector at the Berlin Wall. One was jailed for 3½ years, the other received a suspended sentence. Page 3

Algerian militants held

Algerian police arrested Islamic militants suspected of attacks on security forces. Bombs were hurled at an Algiers police station, radio reports said. Page 4

Hyundai talks fail

Attempts to avert a clash between a huge force of riot police and workers barricaded at Hyundai, South Korea's largest carmaker, ended in discord. A police raid seemed imminent, a company spokesman said. Page 4

Khmer Rouge attack

The Khmer Rouge mortared central Cambodian villages after killing 13 civilians and sending 10,000 fleeing in the worst violation so far of the three-month-old peace accord. Page 4

Kinshasa fears grow

Zaire prime minister Nguza Karl-i-Bond ordered suspension of the pro-opposition national political conference, leading to renewed fears of street protests in Kinshasa. Page 4

Brussels crime soars

Belgium said horseback police patrols and anti-terrorist squads would be doubled in Brussels after soaring street crime last year shattered the capital's image as one of the safer cities of Europe.

South African rampage

A white South African with an assault rifle fatally shot his father after a domestic quarrel, then rampaged through a shopping mall in Ladysmith, Natal, leaving nine dead and 19 wounded.

Italy seizes assets

Italian magistrates confiscated the assets of a wealthy Belgian businessman six days after his seven-year-old son was kidnapped in Sardinia. The seizure is designed to prevent payment of a ransom.

Balkan peace move

Bulgaria and Greece began unofficial talks in Athens aimed at preventing a rift following Bulgaria's recognition of the Yugoslav republic of Macedonia last week. Page 3

Romanian pay warning

Romanian prime minister Theodor Stolojan told trade unions demanding huge pay rises to avoid labour unrest which might lead the country into chaos.

Pilgrims burn station

Thousands of Moslem pilgrims burnt down a railway station near Dhaka, Bangladesh, after authorities refused to lay on special trains to take them home quickly.

Swedish joke misfires

Norwegians shouldn't be portrayed as idiots, Oslo's diplomats told Swedish television after a children's programme clown wore a knitted hat bearing the word "Norway".

Business Summary

Kohl pledges to champion Frankfurt as financial hub

German chancellor Helmut Kohl yesterday urged the banks and Frankfurt stock exchange traders to crack down on insider dealing to help boost the city's claim to become Europe's financial centre. He promised to campaign for Frankfurt as headquarters site of the future European central bank. Page 20

US TREASURY will sell more government securities without notice if it detects attempts to corner the market in new issues. The plan is among reforms aimed at opening up the US bond auction system, which used to be effectively closed to all but a few big institutions. Page 21

TOKYO STOCKS fell 1.91 per cent to their lowest since October 1990 on thin but widespread selling. The Nikkei average closed 407.55 lower at 20,913.82. Risk outweighs price, Page 4; World Stocks, Page 42

THYSSEN Edelstahl, special steels arm of Germany's Thyssen steelmaking group, reduced annual loses through job cuts and other cost-savings. Annual sales to the end of September 1991 fell 14 per cent to DM3.3bn ($2.1bn), producing a loss of DM63m. Page 22

GENERAL MOTORS' Canadian offshoot is laying off 750 people – 9 per cent of the workforce at its St Catharines, Ontario, engine plant – because of weakness in the North American car market. Page 24

RATNERS GROUP, struggling UK-based jeweller, suspended preference dividend payments, sparking a drop in its share price in London and a credit downgrading in New York. Page 21

WPP: Bankers are braced for a new loan demand of up to £100m ($180m) from the world's biggest advertising group less than a year after its $1bn debt was rescheduled. Page 21

GEC ALSTHOM, Anglo-French power engineering group, has won a Fl 1.75bn ($977m) equipment contract for a new Dutch power station. The deal is GEC Alsthom's biggest turbine order. Page 5

BRITISH AEROSPACE faces more delays over negotiations on a £10bn ($18bn) arms contract with Saudi Arabia. There are signs that the Saudis may not decide before a UK general election in April or May. Page 28; Lex, Page 20

ALLIED-LYONS, UK food, drinks and retail group, is reshaping its management to sharpen its focus on international development. Page 28

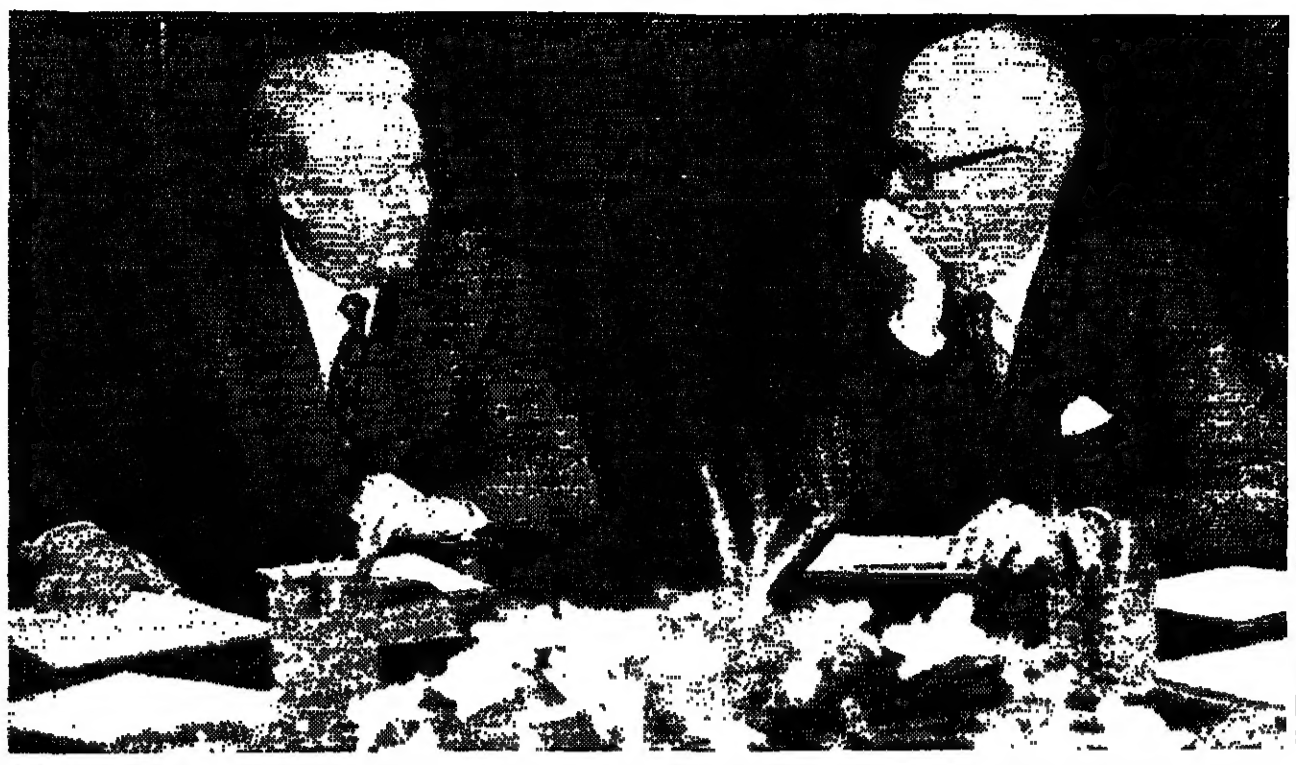
WEST INDIAN Shipping Corporation suspended operations after two of its vessels were seized for unpaid bills. The line, owned by the Caribbean Community governments, was being prepared for privatisation. Page 24

P&O, UK shipping group, has ordered a £200m ($358m) cruise liner from German shipyard Meyer Werft, a family-owned yard based in Papenburg. Page 7

LLOYDS of London: A row is brewing over how the Lloyd's insurance market is run after last weeks' task force report advocating far-reaching reforms. Page 7

BOWATER, leading US newsprint maker, reported fourth-quarter net income down to $1.6m from $18.3m. Full-year income was $45.6m, down from $78.4m in 1990. Page 24

From today, the Financial Times will publish the gross dividend yield on the FT-SE 100 index. It will appear daily in the panel beneath this column. Details of how it is calculated can be found on the London Stock Market page, where the yield on the FT Ordinary index will continue to appear as before.



Britain's foreign secretary Douglas Hurd (right) and Boris Yeltsin during a meeting at the Kremlin yesterday

Miners add to pressure on Russian reforms

By John Lloyd in Moscow

RUSSIA'S economic reform programme came under severe pressure yesterday as parliament sought to regain control over the government and militant miners demanded lower prices. Meanwhile, government officials and advisers accused the Russian Central Bank of sabotaging the reforms.

The government is already changing some policies as it becomes evident that they are not working. Moscow Radio announced that Russia was auctioning licences allowing the export of $90m of oil and other resources – with the money going to the import of badly needed foodstuffs.

Officials said later that the system of licence auctioning would probably replace the requirement on exporters to change hard currency earned at half of the market rate – a system which has been heavily criticised and widely evaded.

Also, the new value added tax of 28 per cent is likely to be cut or even abolished in the face of spiralling prices. This follows comments by Mr Nikolai Ryabov, chairman of the Council of the Republic, one of the two houses of the Russian parliament.

He said at the weekend that parliament would propose that the tax be "reconsidered" because monopolistic state enterprises had caused prices to "rise very steeply, not four to five times as was predicted but eight, 10 or more times. It is clear that this is a prelude to a monopolistic price rise rather than a prelude to the market".

Leaders of the Kuzbass miners, who have gone on strike twice in the past four years, are to meet the Russian president and government ministers today or tomorrow to demand lower prices – with some of them predicting strike action if the talks fail.

The government lays much of the blame on a huge credit expansion undertaken last year by the Russian Central Bank, whose chairman, Mr Georgy Matiukhin, they accuse of irresponsibility. Officials say Rbs600bn of credits were advanced last year, at an annual 6 per cent rate of interest during a period of accelerating inflation, mainly to commercial banks, which then

Continued on Page 20

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- IMF hopes for Russian entry deal by April
- Butter mountain in Moscow

Nestlé bid for Perrier may prompt contest

By Alice Rawsthorn in Paris

SOME of the most formidable forces in European industry have squared up to fight for ownership of Perrier, the French mineral water which is one of the world's most famous brands.

Nestlé, the Swiss food group, yesterday joined forces with Indosuez, the French bank, to mount a FFr13.42bn ($2.48bn) bid for Source Perrier in a move which could bring them into conflict with the Agnellis, the Italian industrial dynasty.

The bid for Perrier takes place against a labyrinthine background of deals, counter-deals and cross-shareholdings.

Analysts in Paris yesterday were furiously speculating about the prospects of a counter-bid for Perrier from the Agnellis and about their interest in BSN, the giant French food group which is an old ally of Nestlé.

Nestlé and Indosuez pounced on Perrier only months after Ifint, one of the Agnelli holding companies, launched a FFr5.6bn offer for Exor, the French wine and property group which controls 35 per cent of Perrier.

The Agnellis have already crossed swords with Suez, the parent company of Indosuez. The French group led a lobby of Exor's minority shareholders who successfully insisted that the Italians convert their original partial bid into a full offer.

The prospect of a battle for Perrier is complicated by speculation over the Agnellis' intentions towards BSN, whose Evian and Badoit brands make it a leading force in the mineral water market. BSN has joined the Nestlé camp by agreeing to buy Volvic, one of the Perrier waters, if the bid succeeds.

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Strange alliances in the water wars ....Page 21
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The Agnellis already indirectly hold 5.8 per cent of BSN and have an interest in another 3 per cent through their investment in Saint-Louis, the French paper group that recently bought 13.8 per cent of Perrier for FFr1.5bn. BSN's shares yesterday rose by FFr14 to FFr1,154 on speculation that the Agnellis might increase their stake.

Nestlé, which already owns Vittel mineral water, is funding its Perrier bid jointly with Indosuez through Demilac, a specially created holding company. They are offering FFr1,475 a share for Perrier against the suspended market price of FFr1,396.

Indosuez's involvement has been interpreted by analysts as an attempt to add a French flavour to Nestlé's offer following the chauvinistic uproar that greeted the Agnellis' bid for Exor.

"It is obvious that the French establishment would rather Perrier went to Indosuez and Nestlé than to the Italians," said Mr Adam Dickens, an analyst in Paris for James Capel, the stockbroker.

So far the strategy seems to be working. Crédit Agricole, the French bank which owns 2.5 per cent of Perrier and 25 per cent of Roquefort, its famous cheese company, yesterday threw its weight behind the forces of Nestlé and Indosuez.

EC may rule against razor group's deal with rival

By Charles Leadbeater

THE European Commission is likely to rule against the involvement of Gillette, the razor company, in the buy-out of its main competitor, Wilkinson Sword.

The British Monopolies and Mergers Commission ruled against the deal last year. It demanded that Gillette sell the stake in Wilkinson Sword's holding group which it acquired through the buy-out in 1989.

The EC formally launched an inquiry last June when it sent Gillette a lengthy statement of objection detailing criticisms of the deal.

The Commission was responding to complaints from two of Gillette's main competitors – Bic, the French manufacturer of disposable razors, and Warner-Lambert, the US group which makes Schick razors.

The companies gave evidence to competition officials in Brussels last month. A final decision could be months away but officials in Brussels now indicate that the Commission will almost certainly force Gillette either to amend the terms of its involvement or unwind the transaction altogether.

This would be a severe blow to the company. It has spent the past two years trying to persuade regulators around the world that its involvement in Wilkinson Sword would not work against competition in a market it already dominates.

An EC ruling against the deal would leave Wilkinson Sword, one of the most famous names in British metal working, increasingly beleaguered. Unwinding the deal would be extremely complicated and might mean the management buy-out would have to seek refinancing.

The deal at the heart of inquiries is the controversial $630m buy-out of Wilkinson Sword from Stora, the Swedish paper and forestry group. Gillette initiated, organised and helped to finance the deal with the aim of avoiding objections from competition authorities.

The group's efforts to clear the complex deal has involved more than 120 Wilkinson Sword companies in 40 countries. It has turned into an epic struggle between the company's lawyers and competition authorities from Brazil to Ireland, Switzerland and Canada.

Shamir reaffirms stance over occupied territories

By Hugh Carnegy in Jerusalem

MR Yitzhak Shamir, the Israeli prime minister, and his senior Likud party colleagues yesterday proclaimed their determination to maintain Israeli rule over the occupied territories, a stance likely to be the core issue in an impending early general election.

With Washington expected to tie the issue of Jewish settlement in the West Bank and Gaza Strip to Israel's request for $10bn in US loan guarantees, opposition leaders say Likud's commitment to the territories threatens distress for an economy already hard hit by mass Jewish immigration from the former Soviet Union.

But Mr Shamir brushed this aside when he visited the Jewish settlement of Betar Illit a day after his coalition lost its parliamentary majority following the withdrawal of two extreme rightwing parties, almost certainly precipitating a general election in May or June.

"We see the new building of Betar – the building in all Judaea and Samaria (the West Bank) and the Gaza Strip. No power on earth will prevent this building," Mr Shamir said.

The Likud and the main opposition Labour party have begun a game of cat-and-mouse to determine whether the formal termination of the government comes in a Labour-proposed no-confidence vote, due next Monday, or follows behind-the-scenes agreement on dissolving the Knesset and setting an election date. Mr Shamir would prefer the latter course.

The Likud leadership, drawing confidence from opinion polls indicating that it is well ahead of Labour, has shown little sign it is worried by opposition claims that its stance on the occupied territories will jeopardise relations with the US, damage the aid-reliant economy and prevent hope of a peace settlement in the current Middle East negotiations.

Likud has promised to continue the peace process, making capital yesterday out of an ill-judged call by Mr Shimon Peres, the Labour leader, to suspend the talks until after the election. But Mr Moshe Arens, the defence minister, said: "This government wants to bring about peace to the people of Israel, but not at the price of our rights to this land."

Mr Yitzhak Moda'i, finance minister, said he did not believe reports in US newspapers, widely circulated in Israel, that President George Bush planned to withhold the loan guarantees unless Israel promised to freeze settlement building.

Reuter reports from Gaza: An Israeli military review panel yesterday upheld an army order to expel seven Palestinians accused of fomenting violence, Palestinian sources said. Israel had announced the expulsion of 12 Arabs on charges of inciting violence early this month after the shooting of four Israelis in ambushes in the occupied territories.

The other five Palestinian activists due to be expelled are from the occupied West Bank.

CONTENTS

MARKETS

Italy's industrial giants start to run out of steam

The flag bearers of Italian industry are in trouble. Fiat, Olivetti and Pirelli have seen profits and sales stagnate. Pressure on the ruling families, like that of Giovanni Agnelli, Fiat chairman (left), is mounting. Page 18

STERLING
New York: $1.7990 (1.7960)
London: $1.7910 (1.7765)
DM2.8600 (2.855)
FFr9.7525 (9.73)
SFr2.5325 (2.5275)
Y221.50 (226.5)
£ index 90.5 (90.4)

GOLD
New York Comex Feb $358.2 (354.5)
London: $358.43 (356.35)

N SEA OIL (Argus)
Brent 15-day Mar $18.125 (18.075)

Chief price changes yesterday: Page 21

DOLLAR
New York: DM1.5905 (1.5920)
FFr5.4325 (5.4310)
SFr1.4098 (1.4065)
Y123.25 (124.45)
London: DM1.5970 (1.607)
FFr5.445 (5.4775)
SFr1.4135 (1.4225)
Y123.85 (127.45)
$ index 62.1 (62.7)
Tokyo close: Y123.95

US CLOSING RATES
Fed Funds: 2¾ (2½)
3-mo Treasury Bills: 3.858% (3.859)
Long Bond: 104½ (104½)
yield: 7.509% (7.609%)

STOCK INDICES
FT-SE 100: Yield 4.83
2,544.9 (+8.2)
FT-A All-Share: 1,215.84 (+0.2%)
FT-SE Eurotrack 100: 1,135.91 (+0.67)
New York:
DJ Ind. Av. 3,254.03 (-10.95)
S&P Comp 416.36 (-2.50)
Tokyo: Nikkei 20,913.82 (−407.55)

LONDON MONEY
3-month interbank: $10\frac{5}{8}$% ($10\frac{11}{16}$%)
Liffe long gilt future: $97\frac{13}{16}$ (Mar $97\frac{5}{8}$)

EUROPEAN NEWS

W European car sales at record in 1991

By Kevin Done, Motor Industry Correspondent

WESTERN European new car sales rose by 0.4 per cent last year to a record 13.53m, from 13.47m a year earlier.

The increase was almost solely due to the 28 per cent jump in sales in Germany in the wake of the country's reunification, however, and masked a deep recession in several other key markets.

Excluding Germany, new car sales in the rest of Europe fell sharply by 8.4 per cent to 9.3m, industry estimates show.

Western European new car sales rose strongly in the first half of the year under the impact of surging demand in Germany, but began to weaken in the second half as German sales began to fall back from record levels.

Sales were lower than a year earlier in four of the last six months of 1991, but the market staged a modest recovery in December, when sales rose by 4.1 per cent to an estimated 827,000.

The Volkswagen group of Germany, which includes Audi, SEAT and Skoda, has established a clear leadership of the western European new car market, not least because of its dominant position in the German market.

It increased its market share last year to 16.5 per cent from 15.8 per cent a year earlier, thanks to a 5 per cent increase in sales volume.

At the same time the challenge for market leadership from the Fiat group, which includes Lancia, Alfa Romeo, Innocenti and Ferrari, has waned, as the Italian car maker's share of the domestic Italian market has come under concerted attack, in particular from Ford of the US.

Fiat and the Peugeot group of France, which includes Citroën, were the losers among the big six volume car makers in Europe last year. Fiat's sales dropped by 8.7 per cent, depressing its market share to 12.8 per cent from 14.1 per cent a year earlier.

The Peugeot group's sales fell by 6 per cent, which resulted in it being ousted from third place in the western European car sales league by General Motors of the US. Its sales recovered in the final months of the year, however, allowing it to stay narrowly ahead of Ford.

The Japanese car makers made further inroads into the western European car market, increasing their share to 12.3 per cent from 11.7 per cent, mainly because of an 11.9 per cent jump in sales by Nissan, which is starting to benefit strongly from rising supply from its UK car plant, the first Japanese car plant in Europe.

Overall new car sales fell last year in 11 of 17 markets across western Europe. The biggest decline among the big markets came in the UK, with a fall of 20.7 per cent, while France sales fell 12 per cent.

WEST EUROPEAN NEW CAR REGISTRATIONS*
January-December 1991

	Volume (Units)	Volume Change(%)	Share (%) Jan-Dec 91	Share (%) Jan-Dec 90
TOTAL MARKET*	13,530,000	+0.4	100.0	100.0
MANUFACTURERS:				
Volkswagen***(incl. Audi,SEAT&Skoda)	2,230,000	+5.0	16.5	15.8
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	1,731,000	−8.7	12.8	14.1
General Motors (Opel/Vauxhall, US# & Saab)	1,635,000	+1.0	12.1	12.0
– Opel/Vauxhall	1,566,000	+1.1	11.6	11.5
– Saab**	53,000	−7.0	0.4	0.4
Peugeot (incl. Citroen)	1,619,000	−6.0	12.0	12.8
Ford (Europe, US# & Jaguar)	1,615,000	+3.6	11.9	11.6
– Ford Europe	1,600,000	+4.1	11.8	11.4
– Jaguar	12,000	−34.0	0.1	0.1
Renault††	1,357,000	+2.5	10.0	9.8
Mercedes-Benz	455,000	+6.0	3.4	3.2
Nissan	436,000	+11.9	3.2	2.9
BMW	413,000	+13.5	3.1	2.7
Toyota	360,000	−0.7	2.7	2.7
Rover†	348,000	−10.4	2.6	2.9
Mazda	287,000	+2.5	2.1	2.1
Volvo††	197,000	−15.8	1.5	1.7
Mitsubishi	191,000	+5.8	1.4	1.4
Honda†	171,000	+4.5	1.3	1.2
Total Japanese	1,663,000	+5.5	12.3	11.7
MARKETS:				
Germany*	4,187,000	+28.0	30.9	24.3
Italy	2,340,000	−0.3	17.3	17.4
France	2,032,000	−12.0	15.0	17.1
United Kingdom	1,592,000	-20.7	11.8	14.9
Spain	886,000	−9.8	6.6	7.3

*Includes eastern Germany since July 1990.
#Cars imported from US and sold in western Europe.
***VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source : industry estimates

France asks Italy for chip venture aid

By William Dawkins in Grenoble

THE French government yesterday appealed to a sceptical Italy to contribute up to \$225m (£125m) for SGS Thomson (ST), the debt-laden Franco-Italian microchip-making venture.

Mr Edith Cresson, the French prime minister, was due to discuss ST's immediate needs, estimated at a total of \$500m, at a dinner in Rome last night with Mr Giulio Andreotti, her Italian counterpart.

Refinancing for ST is an important part of the Paris government's project to create a FFr75bn (£7.7bn) turnover nuclear energy-to-electronics company by merging the civil nuclear and electronics activities of Thomson, the state-owned electronics group, and CEA-Industrie, a nuclear plant and fuel company.

Mrs Cresson yesterday began a two-day visit to the French and Italian plants in the new group, which the government wants to get into operation by mid-year under the name Thomson CEA Industrie (TCI). The purpose of the visit was to explain the project to the public and to CEA staff, many of whom are worried over losing independence.

The Italians are understood to want more information about the French strategy for the TCI combine, before deciding whether to invest more in the microchip venture.

ST broke even at the operating level last year, after having made a \$20m operating loss in 1990, said Mr Pasquale Pistorio, chairman of ST, who took part in the tour.

Tough Lisbon budget for 1992

The Portuguese government yesterday announced a tough budget for 1992 aimed at reducing the public sector deficit, and introducing value added tax on basic foods, Patrick Blum writes from Lisbon.

Mr Jorge Braga de Macedo, finance minister, described his budget as a "single market budget". It would prepare Portugal for economic and monetary union (Emu) and for the benefits of the single European currency after 1997.

Plans for French TV news channel

THREE French television stations – TFI, Canal Plus and M6 – are considering launching a news channel to replace La Cinq, the French TV company which filed for bankruptcy three weeks ago, Alice Rawsthorn writes from Paris.

The proposed news channel, to be staffed by journalists from La Cinq, would provide a French-language news service on international affairs to be broadcast in France and other French-speaking countries.

The announcement comes at a critical time for the French government. Ministers are anxious to avoid a confrontation with Mr Silvio Berlusconi, the Italian media mogul who was one of the principal shareholders in La Cinq and is now mooting plans for its rescue.

Butter mountain in Moscow

Leyla Boulton watches the west's humanitarian aid on its murky passage to former Soviet shelves

LOCKED up in Moscow's Warehouse No. 9 last week were 59 tonnes of European Community butter. The 25kg blocks are the first instalment of an EC food aid programme to help Moscow and St Petersburg through a winter of harsh economic reforms, but there was already too much butter in the shops because aid is so far proving as out of step with supply and demand as ever the centrally-planned economy was.

In Moscow, an old man, challenged by angry people in a bakery queue for buying four loaves of bread, replied that he was going to be eating bread and butter for the entire week.

In other republics, such as Ukraine, food supplies are plentiful but medicine is in short supply (a third of patients in the former Soviet Union are getting inadequate medical treatment because of a shortage of drugs).

As more than 50 foreign ministers assemble in Washington tomorrow to consider co-ordinating humanitarian aid to the former Soviet Union, they will be trying to answer two questions: what sort of aid is required, and how can it be protected from theft, corruption, and poor distribution?

The first question is already partly answered by the conference's list of areas where aid is needed: fuel, food, medicine, housing and technical assistance – including ways of bolstering the commonwealth's capacity to meet its needs in future (for instance in cutting energy waste, estimated at a third of current consumption).

The trickiest question, however, is to do with where the aid should end up. Mr Michael Emerson, head of the EC mission in Moscow, admits that the emphasis on Moscow and St Petersburg was partly political.

"If there is social unrest in Moscow and St Petersburg, that is a big problem. If it is in smaller areas, that is not such a threat to the government," he said in an interview. But conscious that shortages in cities such as Perm in the Urals may be even worse than in Moscow, he expressed hope that the conference would enable other countries to plug gaps elsewhere.

Mr Emerson also put his finger on the fact that only a minority of the population needs aid, with the rest able to cope despite considerable hardship: the question is ensuring it gets to the right people.

A Muscovite looks at a low-quality, expensive piece of pork in a food shop yesterday

Another problem – which the conference may help tackle but which must be resolved primarily by the former Soviet republics – is the disappearance of even a minimum of co-ordinating authority for aid distribution. Since the union collapsed Ecu1.75bn (£1.25bn) of EC credits and credit guarantees are lying idle because the republics have no mechanism for sharing it out.

The answer to the second question – how to stop the losses – is that observers believe a certain amount of aid is bound to go missing while the corrupt old system is being dismantled. But ways of minimising those losses are already being tried out.

Hired to monitor the fate of EC food aid in Moscow alone, Mr Manfred Schneider uses statistical sampling methods to check for losses between the warehouse and the state shops where the butter, and subsequent deliveries of meat and milk powder, are to be sold. The proceeds of the sales are to go into special bank accounts to support the needy.

"We are not in a position to post a guard next to every carcass of meat, nor would we want to," says Mr Schneider.

His first conclusions are encouraging: he is satisfied that none of the butter has gone missing in the week since it was moved to the store rooms of 23 shops in the north and west of Moscow.

Mr Schneider's other task is to identify and prevent bottlenecks which may appear in future as aid volumes grow from their present "test" levels. One such potential bottleneck was identified when it was discovered that the 59 tonnes of EC butter could not be delivered to shops already saturated with older butter imported from other sources. The butter is being held back until there is demand for it.

Mr Schneider is also exploring whether aid can help develop market mechanisms, such as pricing which responds to supply and demand.

The biggest losses appear to be hitting small parcels sent by well-meaning individuals in the west. They are more difficult to monitor than bulk deliveries by known senders, with some parcels arriving at Moscow's Sheremetyevo airport addressed simply to "The Mayor of Moscow, Russia".

What is the logic for aid at all if the distribution system is still as poor and leaky as it was last year?

The difference is that aid this year coincides with reforms already under way – for instance to privatise the distribution and trade networks as well as agriculture – by a government seen by many in the west as meaning business.

"This system is going to waste a good part of this [aid] but this is a mistake which one would allow the country to make because it is part of a process," explained one western diplomat. "One would trust the leadership's good intentions and its capacity to correct the mistakes in the course of reforms."

IMF hopes for Russian entry deal by April

LEADING western countries and the International Monetary Fund would like to see an agreement as early as April to admit Russia to the IMF, clearing the way for substantial western support for comprehensive market reforms, Leyla Boulton writes from Moscow.

After initial doubts over how to respond to Russia's requests for massive western financial aid, it is understood that the fund's political decision-making body, the interim committee, is likely to approve Russian membership when it meets in April. The committee is made up of the finance ministers of 22 countries, including the richest western countries. Formalities for entry would then take several more months to complete.

IMF membership will give Russia access to IMF funds to support economic reforms agreed with the fund. It also traditionally unlocks other sources of western finance.

An IMF mission is now in Moscow for talks on the course of market reforms. It is also collecting the economic data necessary to complete Russia's application.

The fund would also like to admit other former Soviet republics such as Ukraine and the Baltic states simultaneously. Apart from political concerns, it will be easier to work out their individual quotas – or rank in the IMF pecking order – through one exchange rate, while they are all still using the rouble as their common currency.

The issue of IMF membership may next be raised as early as this weekend when Group of Seven finance ministers are expected to meet in New York.

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Bundesbank spurns threat of recession

By Quentin Peel in Bonn

THE Bundesbank has rejected warnings of an imminent recession in the German economy and stoutly defended its decision to raise interest rates in December.

At the same time it remains concerned by the possibility of excessive wage rises being awarded in the current wage round, and at the lack of spending restraint in the public sector.

The latest monthly report of the central bank spells out the continuing acceleration in German money supply last November, which reached 5.1 per cent for the M3 measure (including non-bank savings and deposit accounts). This is outside the 3-5 per cent target for the year.

The bank cites concern over the continuing acceleration in money supply as a decisive factor behind the interest rate rise.

At the same time the Bundesbank, clearly stung by international criticism of the increase, insisted on its role in preserving the value of the D-mark as the "anchor" of the European monetary system.

"The increase in the discount and Lombard rates presents no untenable risks for economic growth and employment in Germany," the monthly report concludes.

Economic growth in the west of the country has slowed after the "stormy growth" up until early 1991. However, "from today's viewpoint there is no fear that the economic calming down will slip into lasting economic weakness, or into a recession, provided there are no false developments in the current wage negotiations, and the world economy does not bring new risks."

Mr Jürgen Möllemann, economics minister, said in a simultaneous report that the German economy was facing a turning point in the coming months, which would decide "whether the overall economic activity of west Germany will find its dynamism after a short pause for breath, or whether we will have a longer lasting economic downturn".

The deciding factors would be a strong wage-cost push from current negotiations, or the failure of negotiations in the Uruguay Round of trade talks, he said.

The Bundesbank report cites the most recent development of demand, running at higher levels than early 1991 in such areas as exports, and the investment plans of enterprises. Utilisation of production capacity is also running significantly above the annual average, its adds.

New Treuhand marketing strategy aims to lift sales

THE Treuhand, Germany's privatisation agency, is adjusting its marketing strategy in an attempt to sell the remaining companies in its portfolio by the end of the year, writes Andrew Jack.

The 6,000 former East German enterprises still held by the agency will be sold in sectors to allow more targeted advertising to potential buyers, starting this week with the wood and furniture industry.

Price Waterhouse and Arthur Andersen, the accountancy and consulting firms, have been appointed to act as "mail boxes" to receive inquiries from potential international bidders.

The initiatives are in part a reflection of Treuhand disappointment that it has not had more international interest in the sales.

Price Waterhouse and Arthur Andersen will receive a small payment for their service, and will provide basic information on businesses being sold.

Anne Wibble: confident of British support

Sweden seeks EC deal on krona

By David Marsh, Europe Editor

SWEDEN is aiming to secure a special exchange rate support agreement with other European countries to underpin the krona before negotiations for EC membership begin, Mrs Anne Wibble, finance minister, said yesterday.

During a visit to London, Mrs Wibble said Mr Bengt Dennis, governor of the Swedish central bank, had already discussed some form of "intervention arrangement" with other EC central banks participating in the exchange rate mechanism of the European monetary system (EMS).

No deal had yet been concluded. "It will be up to the other countries," she said.

Although she gave no details, such an arrangement could include provision for EC central banks to make short-term credit lines available to their Swedish counterpart to shore up the krona in case of exchange market tensions. Such mutual support facilities are an integral part of the EMS.

Mrs Wibble, who yesterday met Mr Norman Lamont, the UK chancellor of the exchequer, said she hoped an accord could be reached before negotiations on accession to the EC began in the second half of this year, when Britain takes over the revolving six-month EC presidency.

Mrs Wibble was confident Britain would support Sweden's aim to become a full EC member by January 1 1995. She also voiced Sweden's wish to take part in European monetary union from the earliest possible date.

According to treaty changes agreed at the Maastricht summit last month, Emu could take place as soon as 1997.

Sweden's need for a more formal exchange rate stabilisation framework for the krona arises from its decision last June to link the currency to the Ecu.

Sweden has undertaken unilaterally to keep the krona within a 1.5 per cent fluctuation band against the Ecu. In the event of pressure on the currency, Sweden does not have the ability to fall back on support made available to other EC members through the EMS's multilateral credit arrangements.

Last month, the Swedish central bank was forced to raise its key lending rate by 6 percentage points to 17.5 per cent, to counter massive capital outflows sparked by speculation of a krona devaluation. The lending rate has however since come down to 12.5 per cent.

● Sweden's non-Socialist government appeared last night to be in disarray over its economic policy after a senior figure in the cabinet, Liberal leader Bengt Westerberg, cast doubt on the government's plan to cut taxes by SKr10bn ($1.7bn) a year until the middle of the 1990s.

Mr Westerberg, who is social affairs minister, said in a television interview he had changed his mind about the need to reduce Sweden's tax burden. He He did not think further government spending cuts were possible or necessary.

E German guard jailed for killing

AN East German border guard was found guilty yesterday of killing an attempted escaper at the Berlin Wall, in the first trial of human rights violations committed under the former Communist regime, writes Leslie Colitt in Berlin.

Mr Ingo Heinrich, a 27-year-old electrician in civilian life, was sentenced to 3½ years in prison for firing the first fatal shot at 20-year old Chris Gueffroy, who was attempting to flee to West Germany on February 6 1989.

A co-defendant was given a suspended two-year prison term for severely wounding another escaper. Defence lawyers said they would appeal against the sentences.

Two other border guards were found not guilty of shooting at the escaper.

Justice officials said the verdicts were likely to influence future trials of east German border guards accused of murder along the frontier.

Charges were bought against the border guards by the murdered man's mother, Ms Karin Gueffroy. She told the court last week that she would have preferred a trial against the former East German politburo members responsible for the shoot-to-kill policy.

Greece and Bulgaria head off Macedonia rift

By Judy Dempsey in London and Laura Silber in Belgrade

BULGARIA and Greece yesterday began unofficial talks in Athens aimed at preventing a rift following Bulgaria's recognition of the Yugoslav republic of Macedonia last week.

The move came as Mr Milan Babic, leader of Krajina, the Serb-inhabited self-proclaimed republic in south-western Croatia, said no UN troops would be deployed in the region.

"Without our acceptance, the mission to deploy [UN] peacekeepers and disarm Krajina's armed forces is doomed to failure," Mr Babic told Borba, a Belgrade newspaper.

Bulgarian diplomats said negotiations with Greece, which follow the re-election on Sunday of Mr Zhelyu Zhelev as Bulgarian president, would seek to guarantee stability in the Balkans.

Fears over stability increased last week after a special arbitration commission, set up by the European Community's peace conference on Yugoslavia, recommended recognition of Macedonia's independence by EC countries.

However, the EC postponed recognition following Greek objections on the grounds that the choice of name – the independent republic of Macedonia – could indicate future territorial pretensions on northern Greece. But Bulgaria went ahead, recognising Macedonia, Croatia, Slovenia and Bosnia-Hercegovina.

Nova Makedonika, the Macedonian newspaper, yesterday accused Greece and Bulgaria of "exposing its concerted plans for Macedonia and the Macedonian people". Macedonia was once divided by the two countries.

In Croatia, Mr Babic, who believes Mr Slobodan Milosevic, president of Serbia, has betrayed Serbs in Krajina by accepting the UN peace plan, said UN peace-keepers should be deployed only on the current frontline between Krajina and the rest of Croatia.

This would, de facto, recognise Serbia's control over a third of Croatian territory.

Mr Babic also repeated his opposition to the withdrawal of the federal army from Krajina, a linchpin of the peace plan which has been approved by the leaders of Croatia, Serbia and the army.

Belgrade radio, a mouthpiece of the Serbian leadership, reported yesterday the deaths in Krajina of a family of Serbian and Croatian background, and the murder of three federal army officers. The extensive coverage given to the alleged killings may be an attempt by Serbia to discredit Mr Babic's standing among the military and the enclave's population.

Athens to freeze wages

THE Greek government yesterday announced radical tax reforms, coupled with a wage freeze for public sector workers aimed at substantially reducing the public sector deficit this year, writes Kerin Hope in Athens.

The measures came as a shock to the public sector trade unions, which were preparing to negotiate a 6-8 per cent increase in 1992, well below the current inflation rate of 17.8 per cent. Private sector workers had already settled for a 10 per cent minimum rise under a two-year wage pact agreed in 1991.

Mr Ioannis Paleocrassas, the finance minister, said the wage freeze would result in budgetary savings of Dr35bn ($190m).

Greece wants to trim central government borrowing from 16 to 13 per cent of gross domestic product this year and cut inflation to 13 per cent. These targets are part of a medium-term stabilisation plan designed to ensure that Greece can enter the exchange rate mechanism of the European monetary system by the end of 1993.

Turkey privatisation plan

THE Turkish government plans to sell its shares in five companies, raising more than $400m in the first stage of its privatisation programme, writes John Murray Brown in Istanbul.

Officials confirmed yesterday that the stakes would be sold in block shares to foreign or domestic investors.

A decision by the Council of Ministers last week cleared the way for all government minority shares in privately managed companies to be sold.

The five companies affected in the first stage are: Ray Insurance, which is to sell a 40 per cent stake raising TL50bn ($9.3m); Seker Insurance, which is to shed 13 per cent of its shares, worth TL7bn; Ipragas, a retail gas distributor, which will raise $350m by selling a 51 per cent stake; Caybank, the tea-planters' co-operative bank, which will shed 49 per cent for TL315bn; and Tat, a canned fruit company belonging to Koç Holding, which is expected to fetch TL41bn through its sale of a 17 per cent stake.

Voucher setback for Prague sell-off

By Ariane Genillard in Prague

CZECHOSLOVAKIA'S voucher privatisation programme, which aims to distribute state-owned enterprises to the population, has been disrupted by the activities of investment funds believed to be hoarding voucher books.

For a small fee, all Czechoslovak citizens over 18 can participate in the mass privatisation programme by buying vouchers, which will become shares in the new private enterprises once the programme is completed.

Since the scheme was launched, more than 300 private investments funds have mushroomed across the country offering to invest the vouchers of citizens – often overwhelmed by the process and lacking basic information on the enterprises.

Nearly 3m citizens have registered so far to take part in the voucher programme ahead of a January 31 deadline. But recent participants have come up against a lack of voucher books, which have seemingly disappeared although 8m were printed.

Mr Tomas Jezek, privatisation minister for the Czech republic, recently accused investment funds of buying up the books to entice would-be participants to become customers.

These funds will hold the vouchers for customers and take investment decisions for them. The greater the number of customers, the larger the profit from customer fees.

All big banks have set up investment funds in Czechoslovakia, alongside managers and individuals able to raise Kcs1m ($300,000).

To tackle the problem of missing voucher books, Mr Vaclav Klaus, federal finance minister, announced that registration cards would be issued until books were either brought back into circulation or reprinted.

But the hoarding has highlighted the lack of regulation in the process and investment scandals could take their toll on the government as next June's elections approach.

Risk outweighs price for Tokyo investors

Stefan Wagstyl investigates what is behind the gloom on Japan's falling stock market

THE GLOOM in the Japanese financial markets deepened yesterday when equities fell sharply and the Nikkei index of leading stocks dropped through the psychologically important 21,000 level for the first time since October 1990.

The Nikkei closed down 407.55 at 20,913.82, or 1.9 per cent, after having been down 636 at one stage.

The Nikkei is now perilously close to the bottom of the range in which it has been trading since the collapse of the bull market in early 1990. At these levels, some leading Japanese banks, which count a portion of their unrealised stock gains as capital, will be unable to meet the capital adequacy standards set by the Bank for International Settlements.

Even though the standards do not come into effect until after March 1993, the sight of well-known banks falling below the BIS grade could further undermine stock market confidence.

With trading volumes low, prices are swinging about widely, often in response to computer-driven, futures-linked trading. So it would be wrong to read too much into a single day's business, especially as prices closed well off their lows. Nevertheless, there is no disguising the gloom. As one foreign fund manager in Tokyo said: "People think shares are cheap but they don't want to take the risk of buying."

Some investors are convinced the end of the bear market must be in sight, now that it has lasted two years. They point out that even though the Japanese economy is slowing, it is growing faster than other industrialised economies. Sooner or later this growth must bring a recovery in share prices, they argue.

But many others see scope for a further decline. Even those who consider the Japanese economy will eventually inspire the stock market are not expecting a rapid revival. "People have given up hope," said one Japanese salesman.

Certainly, there has been some depressing economic news recently. Yesterday Tokyo Shoko Research, a leading credit research agency, announced that the debts of companies which went bankrupt in 1991 totalled a record Y8,149bn ($64.2bn) – four times more than for 1990. Property and stock market investors accounted for most of the largest failures. Also, according to a housing industry report, *flat sales fell* 44 per cent in 1991 to their lowest level since 1977.

The economic outlook is not all bad. Mr Yasushi Mieno, the governor of the Bank of Japan, insisted in a speech yesterday that although the economy was slowing faster than before, it was still firm. Recent economic figures reflected the fact that companies were adjusting their inventory levels and their rates of capital investment, he said.

Most investors are more concerned about the short-term outlook for shares than long-term competitiveness

The power of the Japanese economy is reflected in, among other things, the yen's recent strength. The Japanese currency soared yesterday against the US dollar, with the dollar closing in Tokyo down Y4.15 at Y128.10, following a sharp rise in New York in Friday in response to intervention by the Federal Reserve Bank of New York and The Bank of Japan which bought yen in large amounts.

However, most investors in the Japanese stock market now have more urgent matters on their minds than the long-term competitiveness of the Japanese economy. They are more concerned about the short-term outlook for the buying and selling of shares.

There is little dispute that equities are now inexpensive in terms of their value as measured by the ratio of prices to earnings. The first section of the Tokyo Stock Exchange now trades at around 40 times earnings for the year to the end of March 1991. This is down to the levels of the early 1980s – before the bull market of the second half of the decade sent P/E ratios spiralling.

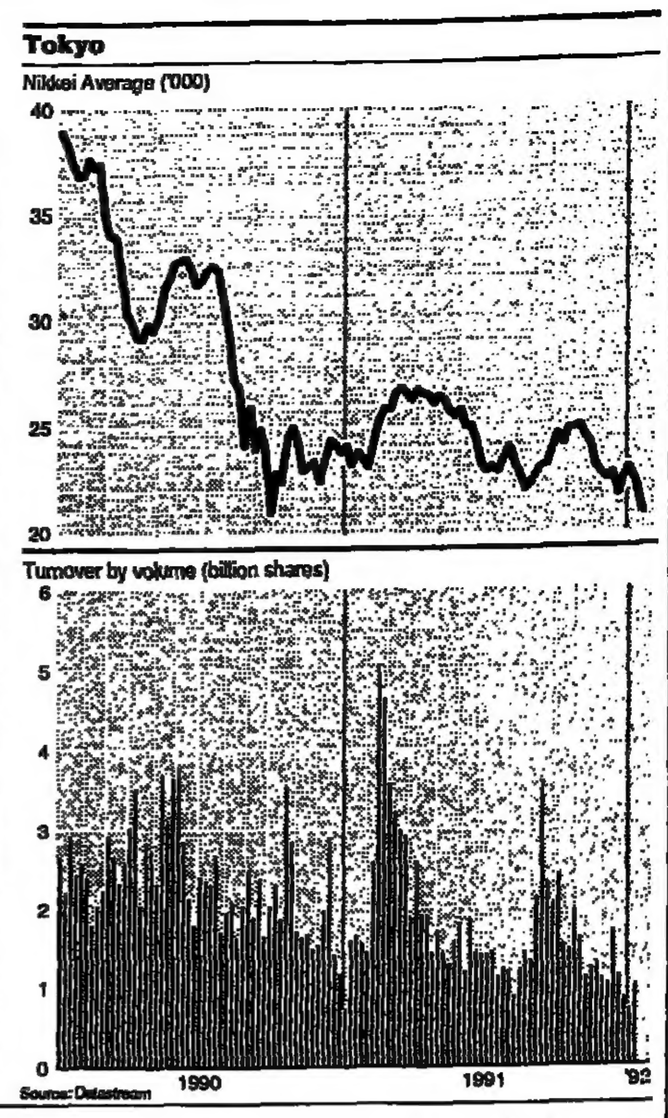
However, many Japanese companies are expected to sell stock in the weeks before the end of their financial year in March. Some of these groups have been nursing losses since 1989 and have decided they no longer wish to pay interest and other carrying charges. Also, many non-financial companies have money invested in special funds called *tokkin*, which have come under increased regulatory control from the ministry of finance. Some *tokkin* investors prefer to sell than to conform to the ministry's new rules.

Meanwhile, among financial institutions, banks have little money to spare to invest in shares: under pressure from BIS rules, they are husbanding their funds for lending to industry. Smaller financial institutions are often in a particularly weak position. Some banks have to sell equity holdings to cover losses suffered on bad debts. Some small life companies are in desperate need of raising funds to cover payments to policy holders.

Japanese individuals have money to spare. But the severity of the bear market has sapped their appetite for stock at the same time as scandals last year involving securities companies have made many people wary of stock market investment. People are also scared by the sharp swings in prices of some stocks induced by futures trading. Investment trusts are being liquidated – their total assets fell last year by Y4,520bn to Y41,473bn.

Foreign investors have figured prominently among the buyers in the last year. But with just 5 per cent of the market in their hands, foreign fund managers cannot lead a sustained rally on their own.

Mr Peter Morgan, chief economist at the Tokyo branch of BZW, the broker owned by Barclays Bank, says there is "fair value in the market and it will eventually be recognised". But he adds: "Unfortunately there are still plenty of sellers."



Source: Datastream

Zaire PM suspends national conference

MR Nguza Karl-i-Bond, Zaire's prime minister, has ordered the pro-opposition national political conference to be suspended, leading to renewed fears of street protests in the capital, Kinshasa, agencies report.

The conference is supposed to chart an end to 27 years of autocratic rule by President Mobutu Sese Seko.

In a speech on state radio and television on Sunday, Mr Nguza said that the conference, dominated by opponents of President Mobutu Sese Seko, was contributing to violence in the central African country.

Mr Nguza said he decided on the suspension after consultations with President Mobutu.

The Belgian government has strongly condemned the conference's suspension. Mr Mark Eyskens, the country's foreign minister, said yesterday that the move was "in flagrant contradiction with the guarantees given to the Belgian government" during two recent high-level visits.

Mr Eyskens said that Mr Nguza, during a visit to Belgium, the former colonial power, had given "guarantees on the continuation of the democratisation process."

Opposition supporters yesterday set up barricades in several districts of Kinshasa. The city remained tense but calm.

Public transport stayed off the road. Schools and offices were closed for fear of recurrence of violence similar to the the army-led looting which killed 250 people and wrecked several Zairean cities last September.

The conference has been suspended for much of the time since it opened in August, partly because of the September riots and partly over procedural rows. It had resumed sessions last Friday, despite a boycott by more than 500 delegates loyal to President Mobutu and a cut-off of government funds.

Supporting his decision to suspend the conference, Mr Nguza said the conference had made two decisions which he deemed unconstitutional: calling for removal of a magistrate checking delegates' credentials, and demanding that conference delegates check out of expensive hotels to cut costs.

Mr Nguza also cited a recent case in which the defence ministry said eight people were killed in a battle between partisans of the prime minister, from the southern Shaba region, and supporters of main opposition leader Etienne Tshisekedi, from Kasai.

The opposition denies any such incident occurred and blamed the report on government efforts to portray the conference as inflaming racial hatred.

Fighting feared as strike talks halted

Police set to raid Hyundai workers

TALKS TO avert a clash between a huge force of riot police and workers barricaded at South Korea's largest car-maker ended in discord yesterday and a police raid seemed imminent, a company spokesman said, Reuter reports from Seoul.

"The two sides failed to narrow any differences. The chances are growing that police will enter the company to end the occupation," a spokesman for Hyundai Motor Company said by telephone.

It was not clear whether the talks between workers and management would resume today, the spokesman said.

Police helicopters hovering overhead dropped tens of thousands of leaflets calling for an end to the occupation of Hyundai's five car plants in the south-eastern city of Ulsan.

Thousands of masked and hooded car workers armed with metre-long steel pipes are dug in behind towering barricades of trucks, cars dragged off assembly lines, tyres, car doors and hijacked fire engines.

Many of the workers staged a "defensive exercise" yesterday, hurling petrol bombs and iron bolts in readiness for a police assault, witnesses said. About 15,000 riot police deployed in the city were standing by to evict the strikers, news reports said.

In a riverside park in Ulsan, about 30,000 people demonstrated in favour of a quick end to the labour dispute that they said was threatening to damage the city's economy.

Ulsan is a leading industrial city and home to 14 companies owned by Hyundai Group, one of South Korea's biggest conglomerates.

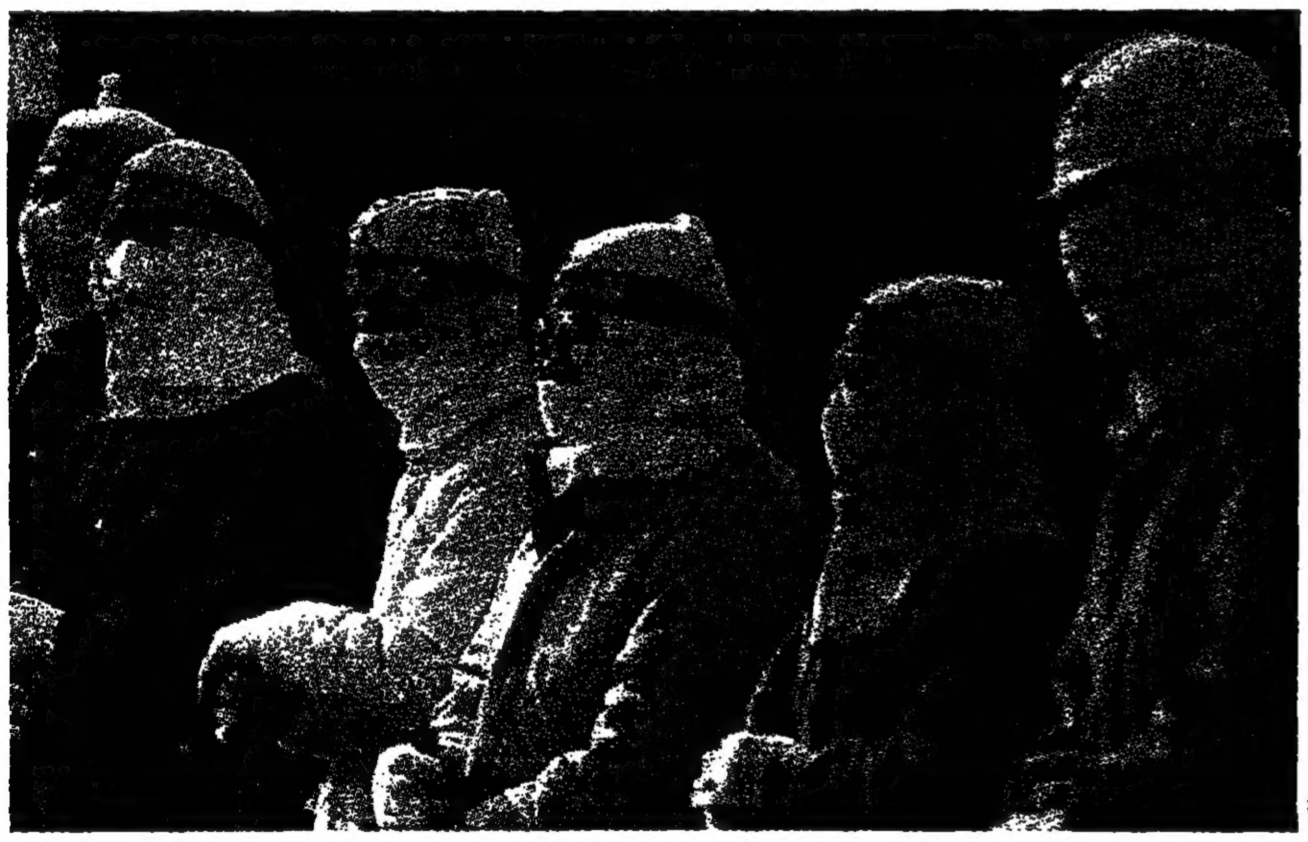
Workers who have occupied car plants since last Wednesday are demanding better conditions, special bonuses and reinstatement of sacked union members. The union also wants legal charges against union leaders to be dropped.

"We asked workers to end the occupation first and discuss their demands after operations of production lines are normalised," the Hyundai spokesman said after tense 90-minute talks at the main company building. "The union showed no signs of backing down today. The situation needs police intervention," he said.

A union spokesman said: "We have nothing to give in the way of further concessions. Now it's management's turn."

In labour-management talks on Sunday, union leaders offered to temper their demands for a special annual bonus if the company called off the riot police, a union spokesman said by telephone yesterday.

The union proposed to work out a compromise over its demand workers be paid throughout the dispute and offered to make up for production losses through overtime.



Hooded Hyundai car-workers on guard against a feared police attack on the main gate of the company's Ulsan plant

Peace accord violation leaves 13 dead

Khmer Rouge forces attack villages

KHMER ROUGE guerrillas mortared central Cambodian villages yesterday after killing 13 civilians and sending 10,000 fleeing in the worst violation so far of the three-month peace accord, agencies report from Phnom Penh.

The attack prompted envoys of the five permanent members of the UN Security Council to call for the urgent stationing of United Nations soldiers in the disputed area, diplomats said. The five are Britain, France, the US, China and Russia.

Separately, a Japanese Foreign Ministry official said in Tokyo that Mr Yasushi Akashi, newly-appointed head of the United Nations Transitional Authority in Cambodia, was suggesting that Japan send police to help restore peace there.

The official added, however, that Japan would not be able to send police under proposed legislation that would allow it to send Japanese troops overseas for UN peacekeeping operations.

Under the October peace accord between the Vietnamese-installed Cambodian government and guerrillas who fought it for 13 years, the UN authority is to play an important role in keeping the peace and guiding the nation to elections next year.

The attacks which violated the ceasefire took place in Kompong Thom province, 150km north of Phnom Penh. Cambodian Red Cross officials said they had registered 9,700 people displaced by the fighting in Kompong Thom since January 5. They reported at least 13 dead and 18 seriously wounded in the heaviest mortar attacks on 25 villages around the district capitals of Stoung and Kompong Svay from January 6 to 7. Whole villages were burned.

Cambodian Red Cross trucks delivered 100 tonnes of rice, blankets, plastic sheeting for shelters and other emergency supplies.

The new refugees brought to 180,000 the number of people displaced by the war inside Cambodia. Another 370,000 Cambodian war refugees live in camps in neighbouring Thailand.

The Khmer Rouge apparently mounted the attacks to hasten deployment of UN peace-keepers to the area, diplomats said.

Last week Khmer Rouge chief Khieu Samphan presented the UN with a list of eight areas where his group wanted peace-keeping troops deployed, they said.

So far only a few hundred foreign soldiers forming the UN Advance Mission in Cambodia are in place, stationed in Phnom Penh, north-western Battambang province, neighbouring Siem Reap province and other guerrilla areas in the west.

The troops now in place are not charged with peace-keeping duties.

NEWS IN BRIEF

Algerians arrested as tension grows

POLICE announced the arrests yesterday of Islamic militants suspected of deadly attacks on security forces, and Algerian radio reported new bomb attacks against police, AP reports from Algiers.

The radio, citing witnesses, said bombs were hurled on Sunday night at a police station in the capital's El Anasser district. It gave no details of damage, injuries, or suspects.

In a separate incident, police claimed that several Islamic radicals – some armed with swords, daggers and axes – had been arrested and charged with assaults on army and police posts.

The reports came as tension worsened between military-backed authorities and the fundamentalists from whom they snatched victory in this North African country's first free parliamentary elections.

The independent newspaper Le Matin reported that the government planned to dissolve local councils across the country, more than half of which are controlled by the fundamentalists.

Le Matin said the 1,540 councils would be replaced by provisional administrations. The Interior Ministry denied the reports.

Japan warns on N-weapons

Japanese foreign minister Michio Watanabe warned India yesterday that Japan might eventually refuse to extend economic aid to countries that have nuclear weapons or sell conventional arms, Reuter reports from Tokyo.

In a meeting with visiting Indian external affairs minister Madhavsinh Solanki, Mr Watanabe urged New Delhi to sign the Nuclear Non-Proliferation Treaty. Mr Solanki said India's complicated position – with China, which has nuclear weapons, and Pakistan, which is frequently accused of trying to develop them, as neighbours – meant it was not ready to join the treaty.

India says it does not have nuclear weapons but in 1974 it exploded what it called a "peaceful nuclear device".

Indonesian names for June poll

Indonesia yesterday announced candidates for June's general election, including children of both Indonesia's presidents, its only official sultan, and many businessmen, artists and intellectuals, Reuter reports from Jakarta.

No one doubted that the ruling Golkar party, which took 73 per cent of the vote in 1986, would again win by a wide margin over the two other political parties.

Political analysts said interest would focus on just how wide that margin is as an indicator of what Indonesians think of the 26-year rule of President Suharto, who is widely expected to stand again when his current term expires next year.

The parties will field 2,283 candidates for the 400 seats in parliament. The parliament has never initiated legislation, although it has the power, or refused to sign laws since President Suharto took office in 1965.

Malaysian support for Vietnam

Malaysia said yesterday it would support an attempt by socialist Vietnam to sign a treaty and join the Association of South East Asian Nations (Asean), set up as an anti-communist bulwark in the Vietnam War, Reuter reports from Kuala Lumpur.

Mr Mahathir Mohammed, the Malaysian prime minister, said he would raise the issue of Vietnam's membership at the Asean summit meeting in Singapore on January 27 and 28.

Mr Vo Van Kiet, the Vietnamese prime minister, is in Malaysia on a four-day visit.

Thailand acts on BIS standards

The Thai cabinet approved proposals to liberalise criteria for classifying assets and liabilities of Thai banks as the country prepares to comply with capital adequacy standards of the Bank for International Settlements (BIS), Reuter reports from Bangkok.

The cabinet said the proposals call for Thailand to adopt the BIS system for weighing assets and liabilities of commercial banks. Under the approved changes, commercial banks can for the first time add to their assets the capital gains from property and equity holdings as well as funds raised from debt/equity hybrid instruments.

Zimbabwe riot police called out

Zimbabwean riot police were called out yesterday to control hundreds of anxious job seekers hoping to fill positions that opened up when 4,000 striking rail workers were dismissed, AP reports from Harare. There were no reports of injuries.

Some 6,000 semi-skilled workers began striking last Tuesday, a work stoppage that has cost the indebted company an estimated $1m in losses. Only 2,000 strikers heeded an order to return to work by Friday, and Mr Alvord Mabhena, the railway chief, sacked the remaining 4,000. The strikers have demanded increases of up to 13 per cent on monthly salaries and allowances.

Sri Lankan Tamils leave India

The first batch of over 600 Sri Lankans who fled to India to escape civil war in their country left for home yesterday heading for an uncertain future, Reuter reports from Madras.

In Colombo, aid workers expressed concern over the fate of more than 30,000 who have volunteered to return home. They said that the conditions that had forced more than 200,000 Tamils to flee fighting between Liberation Tigers of Tamil Eelam (LTTE) guerrillas and government troops had not changed sufficiently to justify their return.

India's southern Tamil Nadu state, which accommodated most of the Sri Lankan refugees, had put them under close surveillance after the May 21 assassination of Mr Rajiv Gandhi, the former prime minister, by a woman suicide bomber, a suspected LTTE activist.

India delays public sector shut-down

By KK Sharma in New Delhi

STRONG opposition from labour leaders yesterday forced a delay in the formulation of a policy to close down public and private sector companies considered by the government to be beyond redemption and chronically unprofitable.

A meeting of management, labour and government representatives decided that the policy would be delayed for at least another month while a unit-by-unit study is made by six tripartite committees.

Yesterday's meeting was called to discuss an "exit" policy for unprofitable enterprises and to formulate a consensus on it. It has drawn up a list of 58 public sector companies it wants to close down. Their accumulated losses are estimated at Rs100bn ($3.9bn). They have a total labour force of 470,000.

The policy is a central part of the government's economic reforms. A "national renewal fund" worth Rs2bn is planned to re-train and redeploy workers declared redundant. The World Bank is contributing towards the fund.

Consultations with the unions concerned began three months ago and at yesterday's meeting union leaders accused the government of talking only in terms of retrenchment rather than redeployment.

They urged the establishment of workers' co-operatives to take over the running of the companies after writing off accumulated losses.

● According to the Reserve Bank of India, 186,441 small companies and 1,419 in the medium and large sectors were listed as sick, at the end of September 1989, the latest figures available, Reuter adds.

One proposal under study is for the government to write off all the loans it has made to loss-making manufacturing companies and divest its equity at zero cost, provided it does not have to finance any further losses.

Last July, the government initiated drastic economic reforms and announced structural changes to tide over an unprecedented economic crisis. These included abolishing most industrial licences, allowing foreign investors a majority stake in Indian companies, a steep devaluation of the rupee and partial privatisation of public sector undertakings.

Rebel troops fire on crowds in Brazzaville

TROOPS fired yesterday on supporters of Congo's Prime Minister Andre Milongo in the first violence of a week long attempt to topple the reformist civilian leader, AP reports from Brazzaville. Several people were wounded but there were no reports of deaths.

The shootings came after soldiers, angry at Mr Milongo's appointment of new military commanders, seized state radio, television and the international airport, and demanded yesterday that he step down.

Mr Milongo, in hiding, appealed for international aid to prevent the country from returning to military rule. He urged "all democratic forces ... to use every means possible to help the democracy being compromised in Congo."

The prime minister issued the message through a spokesman denouncing the military move as a coup d'etat.

The shootings occurred in Bacongo, where Mr Milongo lives. Patrolling soldiers confronted hundreds of his supporters, and opened fire when the crowd refused to disperse.

Western airliner deaths rise to 624 in 1991

By Paul Betts, Aerospace Correspondent

THE airline insurance industry described last year as one of the worst ever with hull losses suffered by western-built aircraft totalling $481m (£269m) and the number of passenger deaths up sharply on the previous year.

Although the value of hull losses was lower than in the previous two years ($680m in 1990) it was still 50 per cent higher than the annual average of $323m during the 1980s.

The annual statistics compiled by Airclaims, a London-based organisation controlled by insurance companies, showed that 23 western-built jets became total losses last year compared with 22 the year before.

Eight of last year's accidents resulted in passenger fatalities totalling 624 people.

This was almost twice as many as died in 1990 when there were 329 passenger fatalities, but below the annual average of 707 passenger fatalities during the 1980s. About three-quarters of fatalities last year resulted from two accidents: the Lauda Air Boeing which crashed last May in Thailand, and a DC-8 crash in Saudi Arabia last July.

The number of hull losses has followed a relatively flat trend during the past 20 years, but the cost to insurers has been increasing significantly because of higher value aircraft and higher repair costs.

WORLD TRADE NEWS

Bonn faces hard choice over CIS export credit curb

By Quentin Peel in Bonn

THE German government will be advised tomorrow to impose a DM5bn (£1.7bn) limit on all new export credit guarantees to the republics of the ex-Soviet Commonwealth of Independent States (CIS), constituting 7 per cent of applications currently in the pipeline.

The decision, understood to be backed by the finance and economics ministries, is being taken against a background of chronic trade payments problems by the ex-Soviet republics, and rapidly rising German exposure there.

It amounts to an agonising choice for Bonn because any export credit guarantee curb will hit east German exporters most of all, already crippled by the economic upheaval of German unification.

The recommendation follows a meeting at state secretary-level between the two ministries, confronted with statistics from Hermes, the German export credit guarantee agency, showing a DM70bn backlog in applications for insurance to the former Soviet republics.

Hermes' current exposure to the former Soviet republics is slightly more than DM29bn, the German finance ministry said yesterday. On top of that figure, untied German government credits of some DM11bn are outstanding, making a total government-backed credit exposure of over DM40bn.

Those figures still represent only part of the full German exposure, underlining the urgency of a full cabinet decision on future Hermes cover. Approval has already been given in principle for contracts totalling another DM23bn, finance ministry officials say, though they hope a good proportion of the contracts may never come to fruition.

On top of that potential exposure of DM63bn comes a backlog in applications of over DM70bn, latest figures show, compared with an estimated backlog last December of only DM25bn. A finance ministry spokesman said yesterday: "All the applications will have to be rigorously examined. But the length of the queue shows why a decision is so urgent." Another limit on granting export credits is the need that they all earn a counterpart guarantee from the ex-Soviet side: it is uncertain if the new republican external trade agencies will have the foreign exchange to give such guarantees in the coming months.

Mr Theo Waigel, the German finance minister, has said he favours a strict limit on Hermes credits for the coming year; his figure of DM5bn seems likely to be approved.

What is not certain is whether the special Hermes arrangements for eastern German exporters will be continued.

Preferential terms allowed customers in the former Soviet Union to buy east German goods without making 15 per cent to 20 per cent downpayments, although the scheme expired on January 1.

The Treuhand privatisation agency in east Germany has been pushing for the special terms to be extended, to prevent closures and job losses.

GEC Alsthom wins £546m Dutch gas turbine contract

By Andrew Baxter in London and Ronald van de Krol in Amsterdam

GEC ALSTHOM, the Anglo-French power engineering group, yesterday underlined its growing presence in the world market for large gas turbines by announcing a Fl 1.75bn (£546m) contract to supply equipment for a new Dutch power station.

The deal is GEC Alsthom's biggest turbine order, and forms the lion's share of a Fl 2bn project planned by Electriciteits Produktiemaatschappij Oost en Noord-Nederland (Epon), the biggest Dutch electricity supplier. Work begins this spring on the project at Eems, in the north of the Netherlands. The 1700MW power station will be one of the world's two biggest outside Japan, using the combined cycle process – waste heat from a gas turbine drives a steam turbine, producing greater thermal efficiency and fewer emissions.

The deal is a blow to GEC Alsthom's two big European rivals in power generating equipment, Siemens and Asea Brown Boveri. It confirms the advantage the Anglo-French group has gained recently with its Frame 9F gas turbine, developed jointly by General Electric of the US and GEC Alsthom's European Gas Turbine Company (EGT). The 9F, with a power rating of 212-226MW, is the world's largest gas turbine, specifically designed for high performance in combined cycle operation.

Mr Kelvin Bray, EGT chairman, said the latest order, after a recent contract from National Power in the UK and one with Eléctricité de France, "will allow us to establish the 9F and its derivatives as *the* turbines for large combined cycle stations". At Eems, EGT will supply five 335MW Vega 109F units, incorporating the gas turbine, steam turbine and generator on a single shaft. Overall thermal efficiency will be about 55 per cent, against an average 41 per cent in existing Dutch power stations.

In the past 18 months, GEC Alsthom has taken 10,000MW of combined cycle business worldwide, to become the top supplier of combined cycle generating equipment in the UK. The first 9F turbine, for EdF, will go into operation at Gennevilliers near Paris this year. At Eems, the first three turbine units will come on stream in 1995.

The MD-95: SAS wants smaller aircraft to expand operations

SAS seeks China deal for new jet deliveries

By Paul Betts, Aerospace Correspondent

SCANDINAVIAN Airlines System (SAS) plans to cancel firm orders for 10 McDonnell Douglas MD-80 airliners worth about $300m (£167.5m), but could substitute these with the smaller MD-95 aircraft the US manufacturer proposes building jointly with China.

SAS said yesterday it was talking with McDonnell Douglas on cancelling 10 of the 15 MD-80 airliners it had booked. SAS, which has suffered a passenger traffic fall mainly in its home market because of the recession, says it no longer needs the 10 MD-80 130-seat aircraft.

It wants smaller 90-100-seater aircraft to replace its fleet of 75-seat McDonnell Douglas DC-9 airliners by the mid-1990s. It hopes to expand its operations in an increasingly deregulated European market, Mr Kjell Fredheim, chief operating officer, said.

SAS is already discussing with McDonnell Douglas the possible substitution for the 10 MD-80s with an order for 15 MD-95s, the 90-100 seat derivative of the MD-90 twin-jet airliners. This would make SAS a launch customer for the MD-95 McDonnell Douglas is planning to co-produce with China. But the US manufacturer has yet to finalise a pact with Peking.

Mr Gareth Chang, president, McDonnell Douglas Pacific and Asia, yesterday said the company hoped to finalise the Chinese deal soon. Under this, McDonnell Douglas would co-produce in China about 170 aircraft by the year 2007.

But Boeing is still competing against its US rival for the deal. SAS said yesterday it was considering other choices such as the Fokker 100 and BAe 146 for its 100-seat aircraft needs. It wants the new 100-seaters by 1995/96.

The trains that run on time in war-torn Yugoslavia

Judy Dempsey on an export-oriented joint venture that injects an element of normality into chaos

TRAINS still run on time in Yugoslavia, but they are not the ones carrying passengers across the country's six republics. In these times of civil war, almost the entire public transport system has been disrupted, except, that is, for the trains running to and from Germany bearing Volkswagen cars and parts.

Mr Bernd Leissner, general director of Tvornica Automobila Sarajevo (TAS), a joint-venture set up 18 years ago between Volkswagen and Unis, a state-owned Bosnian trading company, has for the past the six months seen the company's Golf cars and spare parts manufactured in Sarajevo reach their destination, on time and every day.

On the wall of Mr Leissner's tidy office just outside Sarajevo, the lively, bustling capital of the Bosnia-Hercegovina republic, are maps showing the train routes to Germany. "I know every route, every schedule, all the logistics, and all the freight managers," says Mr Leissner. "Everything works."

These trains transport 95 per cent of TAS production: 40 wagons wind their way through Yugoslavia every day. Mr Leissner says that his success is due to "communication and good relations".

"This plant has excellent relations with all the republics. A lot of people are dependent on this plant. War or no war, we keep working. In fact, production is rising."

When Mr Leissner, a German, who joined Volkswagen in 1970, became manager of TAS in October 1990, production was flagging. "We were producing 120 cars a day, with an annual turnover of about DM500m (£176m). Today, we produce 240 cars, with a turnover of DM650m. In 1990, annual production of cars was 36,000. Last year, production had increased to 38,600. This year, I reckon we will exceed 45,000 and I hope to reach 60,000 by the end of 1993." In addition TAS produces pick-up trucks. Profit was also increasing, he said, from between DM5m-DM6m in 1990 to DM18m last year.

It is good management, Mr Leissner says: "When I came to Sarajevo, management tools were inadequate. I increased the ratio of German managers to local managers. We now have 23 Germans among the 55 managers.

"Also, the old-style workers' self-management structure was falling apart. I replaced it with a new trade union body. Through training and management programmes, we have created a corporate spirit designed to show the work force that what we had to produce was to be the best quality, fit for world markets."

That was also what he expected from suppliers. "Despite the war and the political upheaval, all my suppliers are working well. In fact, we have a daughter company in Slovenia. We are now negotiating terms to set one up in Croatia. We are very happy with our suppliers from Serbia."

Mr Leissner admits that half his 3,500 Sarajevo staff are administrative and could be reduced. He recalls the days of "top-heavy communist bureaucracy" and says remnants of the old *nomenklatura* still exist on the factory floor. However, he maintains, this does not interfere too much.

Volkswagen's decision last year to increase its original 49 per cent share to 50 per cent has meant it can make more decisions about production levels and strategy. Not that Unis was in a position to resist: its own financial problems make it completely dependent on TAS for investments. In 1990, TAS allocated DM200m for investments spread over five years, for the launch of the new Golf model later this year, for restructuring, and for increasing exports.

About 50 per cent of production is earmarked for the export market, mostly Germany. But Mr Leissner has much greater ambitions: "This country itself, consisting of 23m people, is a vast market. This is the sixth largest European market for cars. Imagine expanding southwards."

He regards Bosnia-Hercegovina as the ideal bridge between west European markets and Turkey and possibly on to the southern republics of the former Soviet Union. "We are talking about reaching a market of 200m people," he said. Meanwhile, Mr Leissner was already confident that, with the launch of the new Golf, the plant could be producing about 150,000 cars a year in five years' time.

"Of course," he said, "there are internal problems in the country. The financial infrastructure and instruments, such as banking and auditing do not exist. All the republics need economic laws as quickly as possible."

Nevertheless, Mr Leissner remains, despite the drawbacks, the indefatigable optimist: "Getting the trains to run on time takes up about 20 per cent of my time. But it is worth it."

EC in push to revive Gulf free trade talks

THE EC will today propose to the six states of the Gulf Co-operation Council (GCC) a speedier phasing-out of import duties on the latter's petrochemical products, in a move to revive talks for eventual free trade between the two blocs, David Buchan reports from Brussels.

In the run-up to last year's Gulf war, the GCC states, Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and the UAE, rejected proposals by the EC, which suggested phasing out its import tariffs on Gulf petrochemical products over 16 years.

Spurred by the need to help rebuild Gulf economies, especially Kuwait's, after the Gulf war, EC governments last autumn decided to risk the wrath of their own petrochemical lobbies by softening the Community's terms. The package, which European Commission negotiators will today present to their GCC counterparts, would do away with the last curbs on petrochemical imports from the Gulf within 12 years. But no definitive end to the talks is expected this week.

Some 95 per cent of GCC exports to the EC, totalling Ecu 11.87bn (£8.4bn) in 1990, enter the EC free, because crude oil and refined products carry no duty. But the rest, mainly petrochemicals, bear import duties of 6-13 per cent.

Japan offer on rice imports

JAPAN took an important political step towards the opening of the rice market yesterday when Prime Minister Kiichi Miyazawa suggested it could allow rice imports without seriously damaging farm incomes, Robert Thomson reports from Tokyo.

Mr Miyazawa did not clearly state the rice market would be opened, but indicated that tariffication, the replacement of the present ban with a tariff regime, seemed necessary to ensure the success of the Uruguay Round trade talks. Tokyo would consider ways to protect farmers' livelihoods if tariffication were accepted, he added, suggesting some farmers could switch to other crops.

AMERICAN NEWS

Clinton keeps ahead of Democrat pack

By Nancy Dunne in Washington

Bill Clinton: turned in a smooth performance

ARKANSAS Governor Bill Clinton has survived the second in a series of televised debates among the Democratic presidential candidates with no apparent damage to his front-runner status for next month's New Hampshire primary.

The youthful governor turned in a smooth performance in the Sunday night debate in the face of a fierce attack from Iowa Senator Tom Harkin. Mr Harkin, an early favourite for the nomination among organised labour, has been losing union support to Mr Clinton, and a new poll showed him running fifth in New Hampshire.

Mr Clinton also brushed aside allegations of womanising by blaming the rumors on Republican opponents and declaring: "I can deal with the kind of sleaze the Republicans put out."

For most of the two-hour debate the candidates sparred genteelly over the economy, taxes, crime and schools. Mr Harkin saved his most direct attack until the closing stages of the debate, after Governor Clinton had finished, criticising the governor's education and environmental records and accusing him of having brought "Reagonomics into Arkansas."

The candidates, aware that most Americans still do not know them, took time to emphasise their pet issues.

The moderator gave each candidate the opportunity to address his perceived "negatives," and she listed them.

Senator Bob Kerrey, said to lack a detailed programme except for his health care plan, said nothing else could be done "until we establish health care as a fundamental right".

Former California Governor Jerry Brown, accused of being "way out", – his nickname in office was "Governor Moonbeam" – said: "I don't know why people don't believe me when I tell them the system is corrupt."

Mr Harkin, accused of being "out of the mainstream of the American electorate and a tool of the labour unions", said he had "the longest record of running against Republicans in Republican areas and whipping them".

Former senator Paul Tsongas, accused of being a boring Greek from Massachusetts, said he was proud to be a Greek and that President George Bush had also been born in Massachusetts.

New Hampshire is a crucial testing ground because it holds the first primary, in which party voters express preferences for candidates.

A poll of New Hampshire Democratic voters published by the Boston Globe on Sunday found 79 per cent undecided over the February 18 race, showing that voters have been slow to focus on this year's campaign.

But voters asked to pick from a list of candidates gave Mr Clinton 29 per cent, followed by Mr Tsongas – whose home state borders New Hampshire – with 17 per cent. Mr Kerrey was third with 16 per cent. Mr Brown had 7 per cent and Mr Harkin 3 per cent. Twenty-eight per cent expressed no preference.

Venezuela looks to skilled of E Europe

By Joe Mann in Caracas

VENEZUELA is launching a selective immigration programme aimed at bringing in 50,000 east Europeans over the next five years, according to Mr Miguel Rodriguez, minister of planning.

The South American republic, with about 19m inhabitants, has a shortage of experienced professionals and tradespeople in a number of sectors, including agriculture and general industry, and services such as health.

Its economy grew by an estimated 9.2 per cent last year, the highest rate in Latin America. Further growth – although at a slower pace – is expected over the next two years, increasing demand for a wide variety of skills.

The immigration programme, the first of its kind to be implemented in Venezuela since the 1950s, is being co-ordinated by the Ministry of Planning, with input from other government agencies and the private sector.

The programme would be "demand driven", Mr Rodriguez said, with private companies drawing up lists of specific skills required. These lists are to be used by a special government team which will visit east European countries to assess the availability of skilled individuals willing to emigrate.

The Venezuelan government is receiving assistance from a UN agency that works with international migrants. It will also work through its embassies and consulates in Europe.

Selected immigrants will receive free airline passage to Venezuela and a cash payment to help cover relocation costs. Initial costs are estimated at about $2,000 (£1,120) per person.

A private Venezuelan company will guarantee each immigrant a job, and will help with language training.

Cuban American group leader faces execution

By Canute James in Kingston

CUBA'S council of state, headed by President Fidel Castro, has confirmed the death sentence for terrorism and sabotage on the leader of a group of Cuban Americans arrested on the island's north coast three weeks ago.

However, the council commuted the death penalty against another group member to 30 years' jail. Earlier a third man, also originally sentenced to death, had his sentence cut to 30 years' imprisonment by the supreme court.

The men, residents of Florida who the Cubans say were captured with arms and explosives, have no other avenues of appeal.

Television broadcasts in Cuba showed the three men confessing that they planned to sabotage public installations "to give the impression that the counter-revolution had began". The Cubans also broadcast the names of Cuban-Americans they said were behind the financing and training of the group.

The council of state said it had provided this information to the US authorities, and charged the US with "spectacular incompetence" in dealing with the matter. "There has not been a single arrest or a sign that any will be made," the statement said.

The US administration has denied Cuban charges that Washington approved of terrorist attacks on the island. The State Department and several human rights organisations, appealed for clemency.

Trial of Brooklyn's Dapper Don leaves nothing to chance

By Alan Friedman in New York

THE racketeering and murder trial of Mr John Gotti, the reputed head of the biggest organised crime family in the US, begins today in Brooklyn.

The 51-year-old Mr Gotti, known in the US media as the "Dapper Don," is charged by Federal prosecutors with five murders, extortion, illegal gambling and obstruction of justice. The most important of the murder charges concerns the December 1985 shooting of Mr Paul Castellano, the previous head of New York's Gambino crime family, whom Mr Gotti succeeded.

Since 1986 Mr Gotti, a flamboyant dresser who has become something of a popular figure in the US, has been acquitted on lesser charges in three previous trials. The investigation that led to the latest indictments was aided by Federal Bureau of Investigation agents who clandestinely recorded Mr Gotti's conversations at his headquarters in Manhattan's Little Italy district.

The trial, which will be directed by the US Attorney in Brooklyn, is expected to make use of three Mafia informers who have turned state's evidence. They include Mr Salvatore Gravano, who was initially a co-defendant and who has been identified by police as Mr Gotti's trusted *consigliere*, or right-hand man.

US officials are trying hard to ensure their quarry is not acquitted this time. The presiding judge has already disqualified Mr Gotti's main defence lawyer on the grounds that he participated in conversations with Mr Gotti that were secretly taped as part of the government's evidence.

The first few weeks of the trial, which is expected to last three or four months, will consist mainly of jury selection, which prosecutors deem extremely important since they argue that Mr Gotti's criminal organisation has a history of influencing jury members not to convict him. The jury candidates will therefore be chosen anonymously and will be sequestered under the protection of federal guards for the duration of the trial.

Haiti army's fears scuttle deal for Aristide's return

Canute James on what lies behind the failure of a compromise to resolve the exiled president's status

A FEW days after it appeared that there had been a breakthrough in efforts to agree conditions for the return to the Haitian presidency of Mr Jean-Bertrand Aristide, ambitious members of the country's interim government and an intransigent military have again shut the door on him.

They have rejected a political compromise brokered by the Organisation of American States which was intended to pave the way for the return of Mr Aristide, who was overthrown at the end of September and sent into exile. Some Haitian legislators who have attempted to act independently of the army and seek a negotiated settlement, have been brought into line.

A resolution was thought likely in a meeting which was planned for the weekend, after an agreement between Mr Aristide and a group of Haitian legislators on an interim prime minister who would head the government on the president's return.

But the selection of Mr René Theodore, head of Haiti's small communist party, is being rejected by most legislators, and by the leadership of the army which is in effective control of the Caribbean state of 7m people. Once the legislators accept Mr Theodore as prime minister, they will have in effect agreed to Mr Aristide's return.

Senior officers of the army fear they will suffer at the hands of Mr Aristide and his supporters if the president is allowed to return. Mr Aristide, who has been living in Caracas, Venezuela, since the coup, has said that while enlisted men were following orders and would be pardoned, the army's leaders would be either tried or exiled for their part in the coup.

Behind all this are clear signs of a stalemate. Haiti has been subject to an economic embargo imposed by the OAS, and several European countries, and aimed at having the military and the government it appointed accept the return of Mr Aristide.

The Haitians, however, are asking for the embargo to be lifted before they agree to the return of Mr Aristide. The OAS members say Mr Theodore's appointment should be ratified first. The recent return to Haiti of the legislators who negotiated with Mr Aristide in Caracas, and who settled on Mr

Aristide: the fruits of Haiti's first election in 30 years soon turned sour

Theodore as prime minister, was met by a statement from the Haitian foreign ministry that foreigners should not try to pressure the country.

Although the embargo has brought commercial life to a halt, crippled Haiti's small industrial sector and left the country with very limited supplies of electricity, the military has been emboldened by the sporadic arrival of shipments of fuel products. Three shipments since the imposition of the embargo (one of which was a clear violation of the sanctions) have offered the administration some relief.

Haitian politicians themselves appear to be divided, and some at odds with the military, in determining how best to resolve the crisis. In the seven months of Mr Aristide's government, following a handsome win in the country's first elections in 30 years, he was frequently criticised by parliamentarians for being too heavy handed. They wanted government responsibilities to be given to elected officials and not those appointed by the president. The selection of an interim prime minister, such as Mr Theodore who has been an Aristide critic, was intended to create a buffer between the president and the legislature. It appears, however, that such a compromise will not move those who fear the president's return.

The fear is genuine among Haiti's elite. It is not only the army and the legislators, but Haiti's prosperous business community which fears the president's return. Mr Aristide's supporters, from among Haiti's majority poor, are likely to take revenge on those who were responsible for and supported the coup. Business leaders have said publicly that they do not want the president back. Blood-letting appears inevitable.

But while the army, legislators and the OAS are involved in a game of political chess in Port-au-Prince, the capital, the old political order is reasserting itself in the provinces. Anarchy prevails with provincial politicians, supported by the military, establishing virtual fiefdoms, exacting taxes and violently punishing all opposition. Many of the leaders are known members of the *tontons macoute*, the feared praetorian guard of the Duvalier dictatorship which was overthrown by a wave of popular unrest six years ago.

Dispute threatens reform plan at Lloyd's

By Richard Lapper

A ROW over the governance of Lloyd's of London is brewing in the wake of last week's report by a task force which advocated far-reaching reforms to the insurance market.

The task force, made up of underwriters, brokers and Lloyd's executives, recommended a number of radical changes – including proposals to modify the unlimited liability of Lloyd's Names, the individuals whose assets back underwriting at Lloyd's.

Although it accepted the bulk of the proposals, the Lloyd's Council, the market's governing body, rejected the moves to separate its regulatory and business development functions. It said acceptance would have delayed implementation of other reforms.

Hinting that Lloyd's had understated the depth of its opposition on this issue last week, Mr Alan Lord, chief executive of Lloyd's, said yesterday he would have considered resigning had the proposal on corporate governance been accepted.

Mr David Coleridge, the chairman of Lloyd's, said the report was "full of incredibly sensible well-thought out things" but described some of the thinking on governance as "codswallop".

The task force had suggested that the Council, which would retain the majority of outside Names (who do not work at Lloyd's) and nominated members as at present, should retain its regulatory role but would be chaired by an independent nominated member.

It also advocated the creation of a market board, made up mainly of representatives of underwriting businesses, which should have responsibility for developing the market's business strategy.

Mr Lord said the creation of the market board would be "retrogressive" because it would have reduced the effectiveness of the regulatory structure introduced by the Lloyd's Act of 1982.

Moreover Lloyd's would have been deprived of a "sovereign body". "You can't run an outfit with two heads," he added.

Poor retail sales undermine hope of UK recovery

By Emma Tucker, Economics Staff

THE CHANCES of a consumer-led recovery ahead of Britain's general election diminished yesterday after government figures showed an unexpectedly sharp drop in retail sales volumes last month.

Figures from the Central Statistical Office (CSO) revealed that retail sales volumes in December fell a seasonally adjusted 1.0 per cent compared with the previous month, giving a 0.4 per cent year-on-year decline. The drop followed a rise in November of 1.3 per cent on October.

Discounting by shops failed to revive consumer spending before Christmas, increasing the pressure on Mr Norman Lamont, the chancellor of the exchequer, to provide a stimulus to consumer confidence in the budget.

Over the fourth quarter of 1991, sales were 0.25 per cent up on the same period of 1990. Sales in the second half of 1991 were 0.2 per cent up on the first half of the year, but unchanged on the second half of 1990.

The CSO said the December figure was "particularly uncertain" and may have been artificially depressed due to a statistical quirk which inflated the November figure by up to half a percentage point.

Mr Simon Briscoe, UK economist for Midland Montagu, said the six month trend was "going nowhere".

"The figures were awful and a clear sign that the recession is continuing," he said.

The Treasury said it was disappointed that sales had not recovered as it had hoped, but said the broader picture was one of flat retail sales.

"The figures are consistent with the view that demand stopped falling from the middle fo the year, but hasn't picked up much since then," it said.

Mr Gordon Brown, the opposition Labour party's trade and industry spokesman, said the figures exposed the government's "incompetence and complacency".

The figures from the CSO confirmed the findings of a Confederation of British Industry distributive trades survey, published yesterday.

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Pirelli cuts workers at two UK plants

By Haig Simonian in Milan and John Griffiths in London

PIRELLI, the Italian cables and tyres group currently in the throes of a large-scale restructuring programme to reduce costs, has cut back the workforce at two of its UK plants.

Reference to the cuts, most of which had been made by the end of last year, is made in a letter to shareholders.

Pirelli Focom, the group's telecommunications subsidiary, has closed a factory in Leeds which makes electronic components for data transmission, with the loss of just under 100 jobs. Part of the operation is being concentrated in Pirelli General, a subsidiary based at Eastleigh, Hampshire.

The move follows the acquisition last year by Pirelli of the terrestrial communications cable division of STC, the UK electronics and telecommunications group.

The restructuring has also meant the loss of around 300 other jobs, mostly at Eastleigh, as communications and energy cables operations have been revised.

Pirelli's submarine cable plant at Southampton is unaffected, as are the group's tyre manufacturing operations, at Burton-on-Trent and Carlisle.

As part of the cutbacks, however, some 80 of the tyre division's SMC "fast-fit" tyre and exhaust centres have been closed since the end of 1990.

German yard wins £200m order for cruise liner

By Michael Skapinker, Leisure Industries Correspondent

P&O, the shipping group, has ordered a £200m custom-built liner from a German shipyard to operate cruises out of the UK.

P&O hopes the liner, due to be delivered in April 1995, will enable it to exploit the rapid growth in the UK cruise market which has seen passenger numbers double over the past five years to nearly 190,000 in 1991.

The ship, designed to carry 1,975 passengers, will be built by Meyer Werft, a family-owned yard based in Papenburg, Germany. Lord Sterling, P&O chairman, said no UK company tendered for the order.

Lord Sterling said 20 per cent of the purchase price would be paid in four instalments between now and 1995. The remaining 80 per cent is to be financed by an 8 per cent sterling loan from German banks.

The new ship, whose name has not been announced, is expected to increase the proportion of cruise passengers taking trips from the UK. In spite of the large increase in British cruise passengers, the numbers beginning their journeys in the UK has remained static at about 50,000 over the past four years, according to Mr Robert Duffett, chief executive of the Passenger Shipping Association.

About 60,000 of the UK residents who take cruises annually begin their journeys in the Caribbean. Some 45,000 begin their cruises in the Mediterranean.

P&O last year brought its ship, the Sea Princess, from the Caribbean to the UK to join the Canberra, its sister ship, operating out of Southampton. Mr Duffett says limited capacity in UK waters meant that price competition is less fierce than in the Caribbean.

The UK cruise market is small compared to the US, where an estimated 3.5m people took cruises last year. The UK is the biggest European cruise market, followed by Germany with an estimated 150,000 passengers a year and Italy with about 100,000. P&O is the leading UK cruise operator, followed by CTC Lines, owned by the Black Sea Shipping Company of Odessa.

Although passengers on longer cruises tend to be older, retired people, the industry is trying to dispel the notion that cruising is not for the young. The average age of passengers onCaribbean cruises is 28.

The P&O ship will be the first to be custom-built for the UK cruise market.

Shipyards locked in a battle for the seas

David White reports on the over-capacity in the warship-construction industry

THE next Ministry of Defence contract for frigates – expected by early next month – is likely to have a determining effect on the future shape of Britain's warship-building industry.

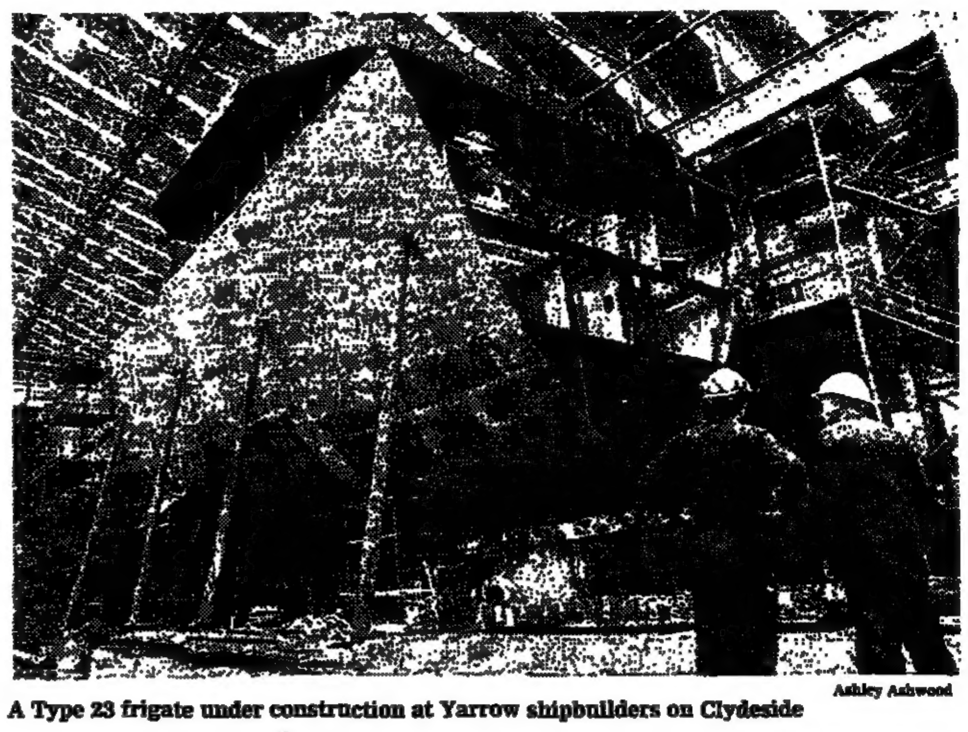
Whichever way the decision goes, it will be extremely bad news for at least one of the yards. Previous contracts have also been fiercely competed for, but this is the first since the government announced plans for scaling down the navy fleet.

Over-capacity has now reached a point where yards are fighting to squeeze each other out. Mr Noel Davies, chief executive of VSEL, expects total employment in UK warship-building falling from a 1990 figure of about 21,000 to 8,000 around the middle of the decade.

The order for up to three frigates, worth about £400m in total, is being contested by all four of the designated warship yards that have survived since privatisation in 1985-86: VSEL at Barrow-in-Furness in Cumbria, Yarrow Shipbuilders on Clydeside, Swan Hunter on the Tyne and Vosper Thornycroft at Southampton.

Sir Robert Easton, chairman of Yarrow, which belongs to the GEC group, believes there are still too many shipyards. "They won't all survive," he says. Mr Davies at VSEL goes further: "We say only two will survive."

The 10 orders placed so far for Type 23 anti-submarine frigates have been split between Yarrow and Swan Hunter. Yarrow was appointed the design authority and won the first order when it was still part of state-owned British Shipbuilders. It is still reeling from the loss of the last order for three frigates, awarded to Swan Hunter just over two years ago.



Ashley Ashwood

A Type 23 frigate under construction at Yarrow shipbuilders on Clydeside

Tenders for up to three more were invited last summer. The MoD, convinced of the savings to be made by ordering in single-yard batches, is expected to place a full three-ship contract. Neither of the current Type 23 builders sees any sense in splitting the order. The prime contenders this time are considered by insiders at the MoD to be Yarrow and VSEL, the losers in the last tender.

Yarrow, which cut its workforce by 645 just before Christmas and now employs 2,750, is counting heavily on winning the order. It has delivered three Type 23s, with three more due by mid-93. There, its order book ends.

VSEL is also warning that without a Type 23 order it "would in the long run become less viable." Its current business is submarines – a safe slot, since no other yard could afford the investment needed to build nuclear-powered submarines. But it is not enough for VSEL. The order for the fourth and last Trident ballistic-missile submarine is expected by about June. Even if it goes ahead, steel work on the Trident programme will run out by 1996.

VSEL needs a frigate order not just to fill that gap but, says Mr Davies, for "long-term and fundamental" reasons. In order to make "reasonable use" of its assets, it cannot afford to allow its workforce, already down from 12,500 to about 9,000, to fall below about 5,000. It reckons that the navy's submarine programme after Trident will provide work only for about 3,200.

Vosper Thornycroft, employing 1,900, also holds a niche making boats of glass-reinforced plastic (GRP) including the navy's latest anti-mine vessels. But orders for more minehunters have been suspended and the other three warship yards all covet Vosper's preserve. Yarrow would use its own GRP facility. The other two would buy GRP hulls from France.

SWAN Hunter on Tyneside is dismissive of its rivals' "whingeing", rejecting "the myopic view that the whole future of the UK shipbuilding industry is down to one order."

The last of the Type 23s it is now building is due for delivery by the end of 1994, but it sees "exciting prospects" in the UK and overseas in both naval and merchant ships.

Politically, the frigate decision presents a balance of conflicting considerations: the interests of sitting Conservative MPs in Barrow and Southampton, Tory difficulties in Scotland, where Yarrow's yard sits in Labour territory on the north bank of the Clyde, and the fate of the Tory-held marginal at Tynemouth, next door to the bedrock Labour constituency of Wallsend where Swan Hunter is located.

"The government needs to take a view of the capabilities it wants to see retained in the UK," says Mr Davies at VSEL. "This is the first major decision it has to make."

Rich taste of Maxwell House put up for sale

By Raymond Snoddy

ROBERT MAXWELL would have loathed yesterday's invasion of his private sanctum as journalists scoured his London apartment in preparation for an auction of its contents next month.

Everything must go, from the 16ft Regency three-pillar dining table (estimate £25,000-£35,000) to duvet covers from Mr Maxwell's bedroom.

Tangible remains of the Maxwell lifestyle will be sold on February 14 by Sotheby's, the auction house, on behalf of Price Waterhouse, administrators of Maxwell Communication Corporation. The sale is expected to raise £400,000.

Yesterday journalists inspected in minute detail every room leading off the octagonal hall of the apartment designed and decorated by Mr Jon Bannenberg.

A television cameraman lined up a close shot of the open door of Mr Maxwell's drinks fridge to reveal Russian vodka, Czechoslovakian pilsner beer and vintage champagne.

There was every sign that the apartment, on the ninth floor of Maxwell House in London had been completely untouched since its master went on his last cruise.

In his bedroom, dominated by a large television set and hi-fi equipment at the foot of his double bed, there are half-empty boxes of tissues. A well-used loofah lies in a jacuzzi of ample proportions.

The impromptu tour was conducted by Mr Leslie Weller, who described himself as "Sotheby's furniture man". In the drawing room, with more than a touch of understatement, Mr Weller said: "Here you have got slightly flamboyant taste in settees."

GEC-Marconi secures EFA deal

By David White, Defence Correspondent

A CONSORTIUM led by GEC-Marconi has clinched a deal to make electronic warfare equipment for the European Fighter Aircraft (EFA) worth an estimated £1.5bn if the aircraft is produced.

The government made the most of the news by announcing the decision in the Commons. The initial development contract for a combination of systems to detect, jam and decoy missiles, will be worth about £200m, with GEC-Marconi obtaining roughly a half share.

Mr Alan Clark, defence procurement minister, said the work would lead to the creation of 500 new UK jobs. GEC-Marconi was more reticent, although it said some additional employment would come from the programme.

The work will be mainly at Stanmore in Middlesex and at Portsmouth.

Mr Clark reaffirmed the UK's strong commitment to the four-nation EFA project, due this year to complete its £8bn development phase. A decision on how many aircraft to build and when is due to made before the end the year.

The electronic warfare system was the last major piece of equipment for the aircraft still awaiting a decision. The UK, Italy and Spain are going ahead with the system in the absence of Germany, which announced last October it would investigate options for cheaper equipment of its own.

The Germans, who like Britain have a 33 per cent share in EFA development, previously argued over who should take the lead in electronic warfare after conceding the chief role in the aircraft's radar to GEC-Ferranti.

Clark: welcomed deal

GEC-Marconi's partners in the electronic warfare consortium, known as Eurodass, are Elettronica of Italy and Inisel of Spain. Germany may still revert to the Eurodass option, but it is unclear what industrial participation it will have if it does so.

The decision on the electronic warfare system has taken about three years, although the GEC-led consortium was the only one to put forward a comprehensive proposal.

Mr Clark said the endorsement of the project illustrated "the vitality and competitiveness of the British aerospace industry".

Detailed contractural points had still to be resolved, he added.

Five bidders compete for teletext licence

By Raymond Snoddy

FIVE consortia yesterday delivered sealed bids to the Independent Television Commission for a new 10-year public teletext licence.

Oracle, the existing service run as a subsidiary of the ITV companies was challenged by:

- Intelfax and Carlton Communications;
- Teletext UK a consortium led by Media Ventures International;
- TV-am Cable Television, a subsidiary of the breakfast television company that lost its broadcasting franchise;
- and Update Teletext, a consortium put together by Independent Television News.

As with the tenders for ITV franchises the teletext licence for Channels 3 and 4 will go to the highest bidder meeting content requirements unless there are "exceptional circumstances."

Teletext is the news and information service broadcast to nearly 7m homes with teletext sets.

Oracle, the incumbent, promised a new computer system which would greatly reduce the time taken for news to reach viewers.

Update Teletext is promising up to 40 pages of local news, weather and events; the TV-am bid is clear evidence that the company is trying to survive the loss of its own television franchise; Media Ventures is promising a more comprehensive service with faster news updates; while Carlton has got together with Intelfax to offer information on Channels 3 and 4. The ITC plans to announce the winner in April.

Court urged to quash TV franchise decision

By Robert Rice, Legal Correspondent

TSW Broadcasting, which lost its broadcasting licence for south-west England in last October's auction of ITV franchises, asked the Appeal Court yesterday to quash the decision to award the licence to Westcountry TV.

Mr Gordon Pollock, representing the television company said the rejection of TSW's business plan by the Independent Television Commission was irrational.

The court heard that the ITC rejected the TSW plan after describing its forecast of annual growth in national net advertising revenue (NAR) over the 10-year licence period as "incredible, implausible and very optimistic".

The decision was so irrational that it sould be quashed and the licence awarded to TSW, Mr Pollock said. Westcountry bid £7.8m against TSW's bid of £16.1m.

The main issue concerned the variance between TSW's and the ITC's forecast of annual growth in NAR over the licence period, he added.

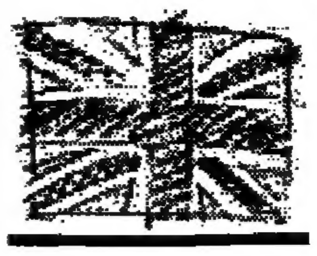
TSW had forecast 5.3 per cent growth in NAR. The ITC had taken a figure of 4 per cent representing an average of all the forecasts by all the applicants for the franchises.

Had TSW known in advance that the ITC would choose the average 4 per cent forecast as the test then its bid and its business plan would have been different, Mr Pollock said.

Mr Pollock said the evidence showed the ITC had simply failed to read TSW's application properly.

The hearing continues today.

BRITAIN IN BRIEF



Ford to cut back on fleet discounting

Ford is to cut back on deeply discounted sales to the big daily rental fleet operators like Hertz and Avis, whose combined new car purchases – not just from Ford – approach 100,000 annually. The rental and leasing industry has been getting cars "on the cheap" and Ford intends to "get back to better margins", Mr Ian McAllister, chairman and managing director, said. Such a course should help Ford to return to profitability this year after making heavy losses in each of the past two years, he added.

Ofwat alters sales rules

Ofwat, the economic regulator for the water industry, has announced that land sales by water companies valued at less than £500,000 will in future not have to be submitted for individual approval. The disposal of surplus land was a significant political issue in the run-up to privatisation two years ago. It was then decided that certificates and valuers' reports had to be submitted for all land sales to third parties worth more than £250,000 in London, £200,000 in the rest of the south-east and £150,000 elsewhere in the UK.

Hotpoint goes on 3 day week

Hotpoint, the big UK white goods manufacturer, has put nearly 1,700 workers at two north Wales factories on to a three-day week because of the recession. The three-day week will last for the rest of January. From the beginning of February the plants at Llandudno and St. Asaph are likely to continue on a four-day week, but this will be reviewed on a weekly basis. Hotpoint said it was doing all it could to combat adverse market conditions. Sales had fallen below expectation, especially during January, and it was necessary to scale down production more in line with demand. The plants produce washing machines, tumble driers and dishwashers.

Data group to cut 400 jobs

First Data Resources (FDR), the credit card processing offshoot of American Express, is to shed 420 of its 2,900 employees at its Essex plants, east of London. The move is part of a shake-up inside the operations, previously known as Access – the Joint Credit Card Company – since they were bought by FDR from the four member banks of the Access credit card consortium last July for £146m.

Ashley Ashwood

Stars in their eyes: Hundreds of people queued in the rain outside a London hotel yesterday for the chance to work at Euro Disney, the new theme park due to open in April this year near Paris, writes Catherine Milton. The park, which is expected to attract 11m visitors in its first year, is recruiting 1,000 Britons for the US-French venture who will join a total workforce of 12,000. Of those interviewd just over a hundred were offered jobs.

Expansion in Scotland

Sweater Shop, a clothing company based in Leicester, in central England which makes and retails casual clothing, is setting up a manufacturing plant at Cumnock, Scotland, which could eventually employ 200 people. The company already employs 300 people in design, marketing and manufacturing in Leicester but is setting up in Scotland because of the shortage of labour there.

Bank extends photo-cards

Royal Bank of Scotland is to offer a further 70,000 customers the facility of having their photographs on cheque-guarantee cards. The scheme, which is free to customers during the pilot stage, was launched in October for branch customers in Edinburgh, Glasgow, London, and Manchester. So far more than 8,000 customers have applied for the photograph cards. The bank says that some people have opened accounts with the bank in order to get a cheque-guarantee card that features a photograph.

Rubbish comes out on top

Recycling household rubbish is important to most people, according to a survey on recycling published yesterday, but 64 per cent of those questioned said they put all of their rubbish into the dustbin rather than arrange for any of it to be recycled. The survey, published by Mintel, the research group, questioned 1,000 adults in May and August last year across the UK. It found that 84 per cent of respondents thought recycling was important for the sake of the environment.

- A Queen's award for environmental achievement is to be introduced Mr John Major, the prime minister, has announced. It will recognise developments in products and process which benefit the environment and which are commercially successful.

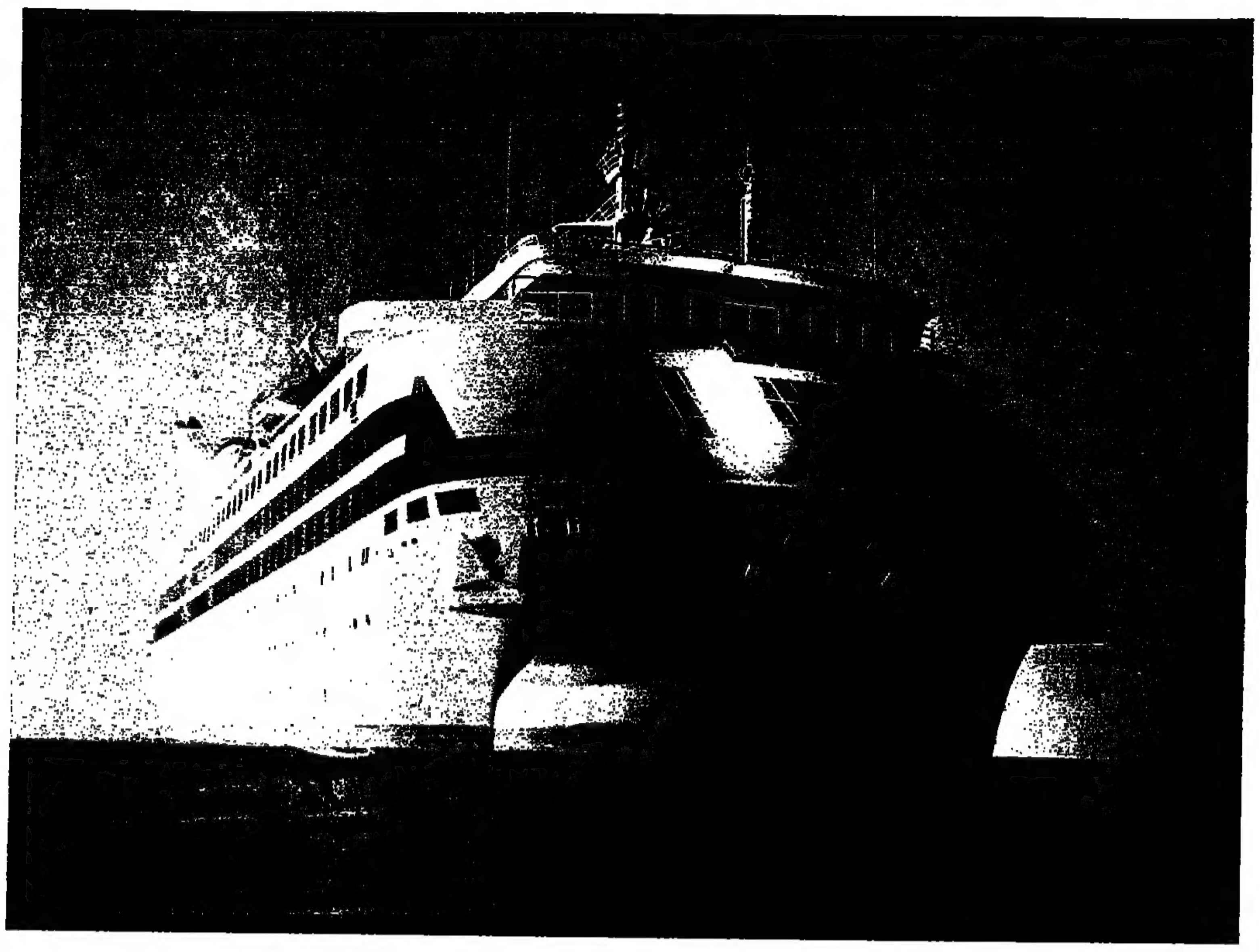
Union merger speculation

A merger between the TGWU and GMB general worker unions became the subject of further speculation as the two unions, Britain's largest, launched an initiative to improve employer training for their members. The campaign, to secure the right of their 2m members to at least five days' training a year, is the first significant initiative in recent years between the two unions alone.

Old Master sells for $3.5m

A still life of flowers in a terracotta vase, painted by Jan van Huysum about 1730, sold for $3.5m (£1.95m) at Sotheby's in New York at the weekend. It was an auction record for the Dutch artist. A New York dealer paid almost double its estimate for the work, which had spent most of its life in England, in the Hope collection. It was the highlight of a major auction of Old Master paintings, which totalled $16.4m (£9.1m), with a reasonable 23.3 per cent unsold. The sale suggested that buyers are prepared to pay good prices for pictures that are fresh on the market.

SIEMENS
NIXDORF

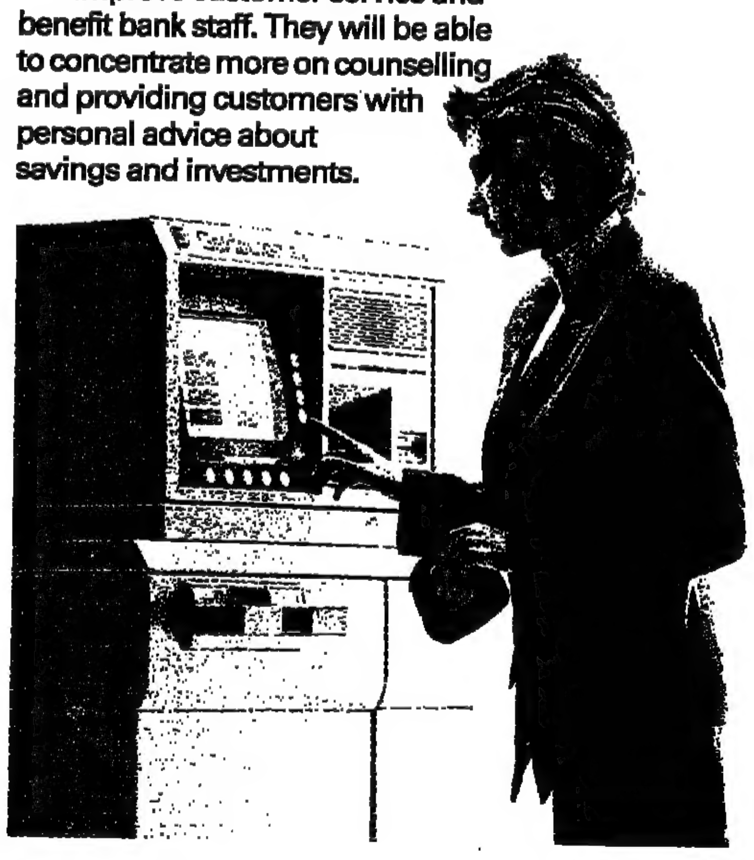


Minneapolis/Helsinki: The world's most modern luxury liner welcomes aboard Siemens Nixdorf.

The world's first SWATH (small water-plan area twin hull) luxury liner sets new standards in cruising. Operated by the US-based Radisson Hotel group and Finland's Diamond Cruise Inc, the ship's revolutionary construction allows her to glide smoothly over the ocean. And the luxurious communication systems installed in the SSC Radisson Diamond are just as remarkable. *Fidelio Cruise* is the management system that integrates all PCs, servers, POS terminals and telecommunication systems on board. Satellite-linked direct-dial telephones in every cabin are as much a part of the 5-star system from Siemens Nixdorf as cashless payment transactions. Passengers' orders in restaurants, bars, shops or cabins are automatically booked to their accounts and settled when they finally disembark.

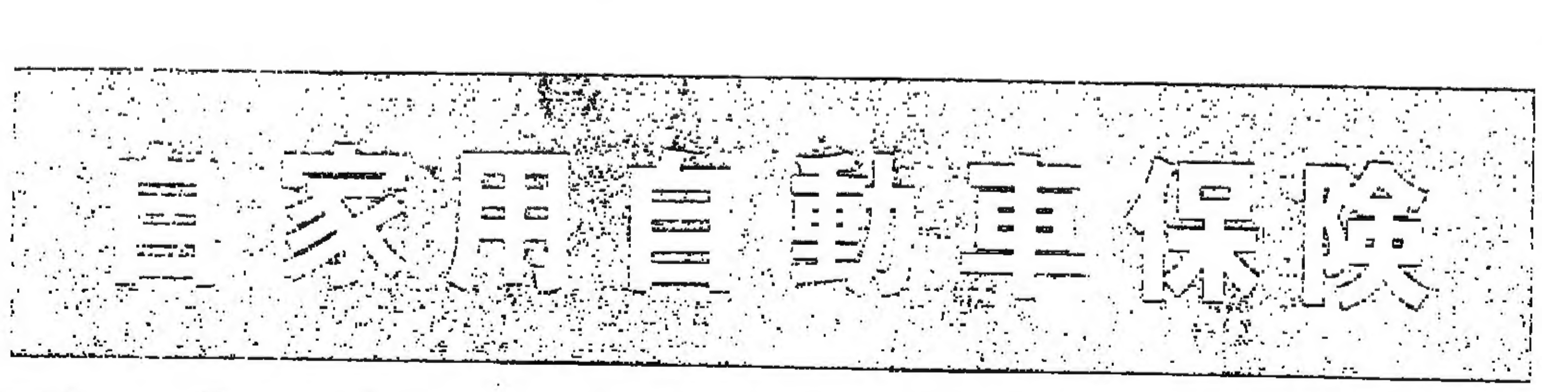
Leipzig: Advanced Siemens Nixdorf computer technology for 1400 East German savings bank branches.

The business revival in the five new federal German states is backed by Siemens Nixdorf, which is installing DM 150 million worth of advanced computer systems in 1400 East German savings bank branches. Within a year, they will have the technical capability that is already standard in leading banks in Germany and abroad: branch systems, customer service centres for 24-hour cash dispensing, automatic safes and systems to process payment transactions. Information technology from Siemens Nixdorf will improve customer service and benefit bank staff. They will be able to concentrate more on counselling and providing customers with personal advice about savings and investments.



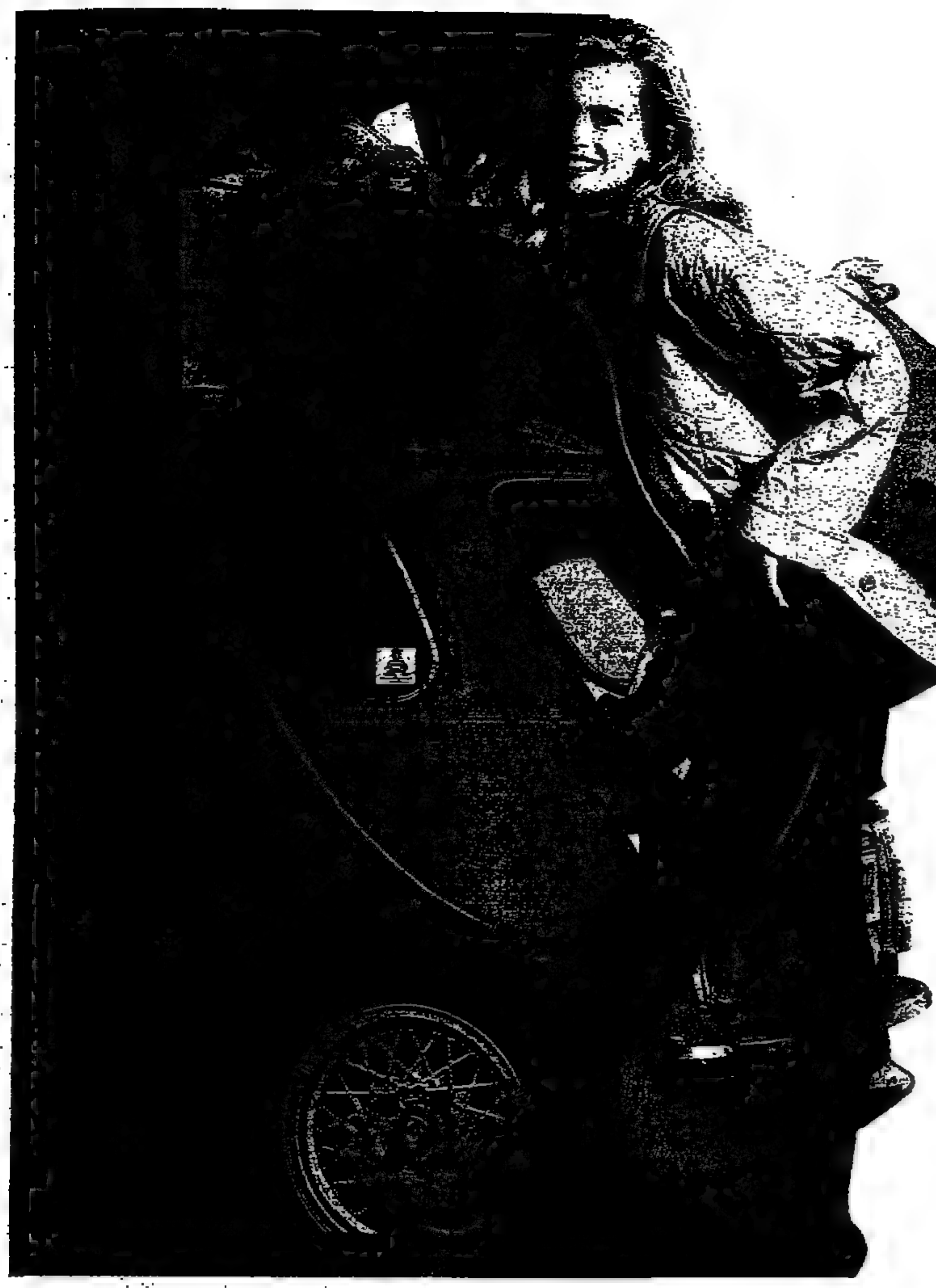
London: Great Britain's most successful electrical goods retailer orders Europe's most successful UNIX multi-terminal system.

With more than 800 stores and weekly sales of over £ 10 million, the Dixons Stores Group is the most successful electrical goods retail company in Great Britain. To reinforce its competitive advantage in the long-term, Dixons has ordered the PCD-4T/25, which runs under SCO UNIX operating system, from Siemens Nixdorf, the most successful European UNIX supplier. Powerful features, such as massive memory capacity, multi-terminal operation and advanced networking capability, make Siemens Nixdorf's PCD systems the most efficient basis for the new company-wide UNIX network at Dixons. The PCD systems, which will be installed in over 800 Dixons and Currys branches, will provide support for outstanding customer service. At the touch of a button, sales personnel can select precisely the right product to satisfy the customer's needs in terms of price and specifications from a range of over 6000 articles.



Tokyo: One of Japan's largest insurance companies leaves nothing to chance, with high-tech printers from Siemens Nixdorf.

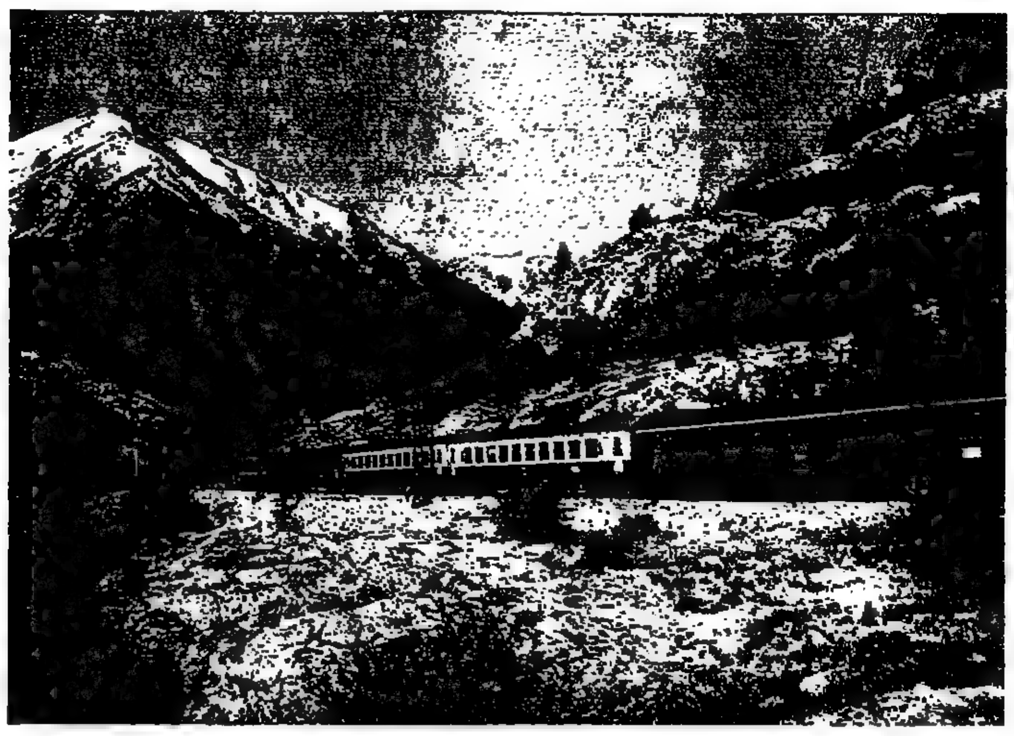
World premier for a new generation of advanced printers from Siemens Nixdorf: the Japanese Nippon Fire and Marine Insurance is the first company to benefit from the new 2140-4 LED high-performance printer, providing 192 top quality A4 pages a minute. A further feature is that the new 2140-4 reproduces Kanji characters as clearly as Roman letters. Nippon Insurance, one of Japan's largest insurance businesses, can rest assured about handling the daily flood of paper. Its LED printers produce, trouble-free, 1.7 million pages of documents every month for vehicle and domestic insurance policy holders.



Brussels: IT fuel from Siemens Nixdorf helps FINA run better.

FINA Europe – subsidiary of Petrofina, Belgium's largest petroleum company – is working with Siemens Nixdorf on a trend-setting concept in forecourt retailing. Motorists visiting FINA stations in Europe will soon see the difference between a conventional filling station and the service station of tomorrow. More than 180 UK FINA sites have already been equipped with Namos, the new Siemens Nixdorf integrated petrol forecourt solution. Siemens Nixdorf POS 2000/10 point of sale terminals in shops, linked to PCD 386 personal computers running Namos software in the back-office, provide complete station management. The system integrates all activities, from fuel sales to shop purchases and data transmission to head office. The solution improves stock management and will allow FINA customers to use all modern forms of payment to settle their bills. With Namos from Siemens Nixdorf, FINA has the organisational fuel to provide a decisive competitive advantage.

Paris: Siemens Nixdorf is the driving force behind French Railways.



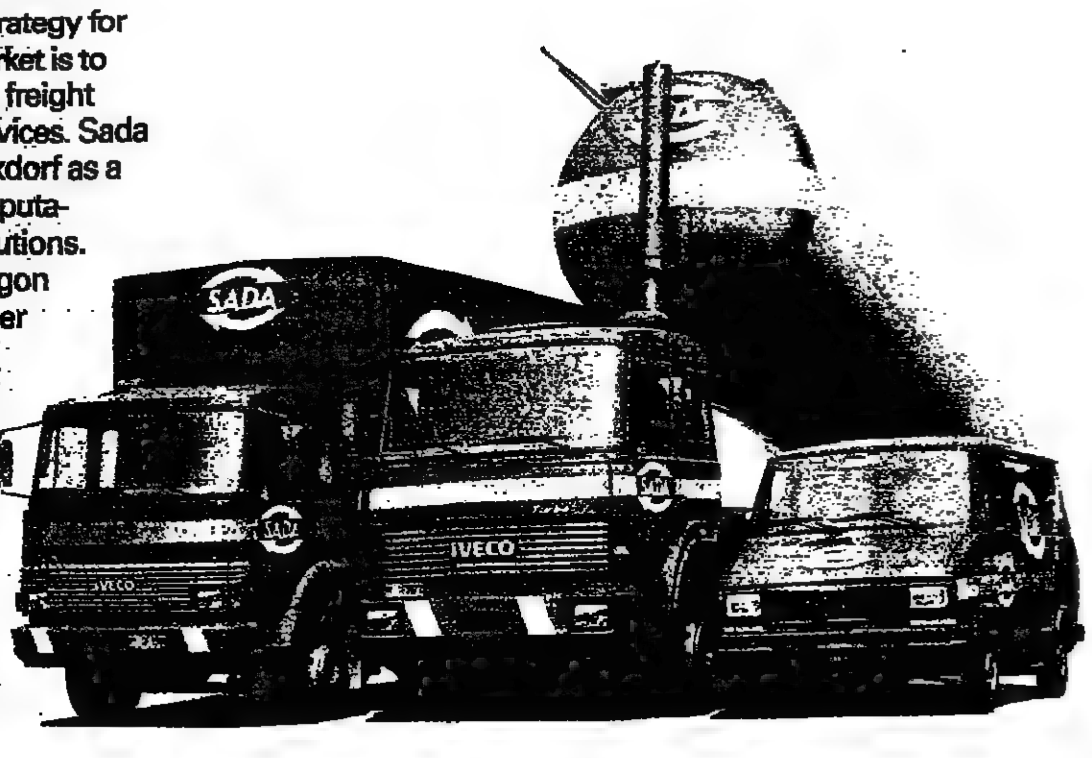
SNCF, the French national railway company, is on track with Siemens Nixdorf for a new organisational IT strategy. Siemens Nixdorf is providing 410 minicomputer systems running a wide range of administrative applications. Siemens Nixdorf has developed special software for SNCF. From payroll, accounting and site security across the SNCF network, through to improving track use efficiency, Siemens Nixdorf is the IT driving force for SNCF.

Madrid: New computer power for Europe's largest private power supplier.

Spain's Iberdrola – Europe's largest private energy supplier has ordered new sources of power from Siemens Nixdorf. High-performance H120 and H90 computers from the BS 2000 family have a total disk capacity of more than 100 Gigabytes. They are linked to 1200 terminals handling 4.5 million data transactions a day. Siemens Nixdorf systems manage one of the world's largest databases (with over 80 million datasets) and handle complex applications from bookkeeping to cartography in administration, operations and technical calculation.

Milan: For business that knows no frontiers, Sada drives ahead with Siemens Nixdorf open systems.

At Sada Transport Internazzionale, new IT concepts are on the move. The Italian company's strategy for the single European market is to provide everything from freight transport to logistics services. Sada has chosen Siemens Nixdorf as a system partner with a reputation for trend-setting solutions. Six Siemens Nixdorf Targon computers, running under the UNIX operating system, handle cost calculations and invoicing, stock control, deliveries and COD consignments, loading logistics and accounting. They also turn new services, such as just-in-time transport planning, into profitable extra business for Sada.



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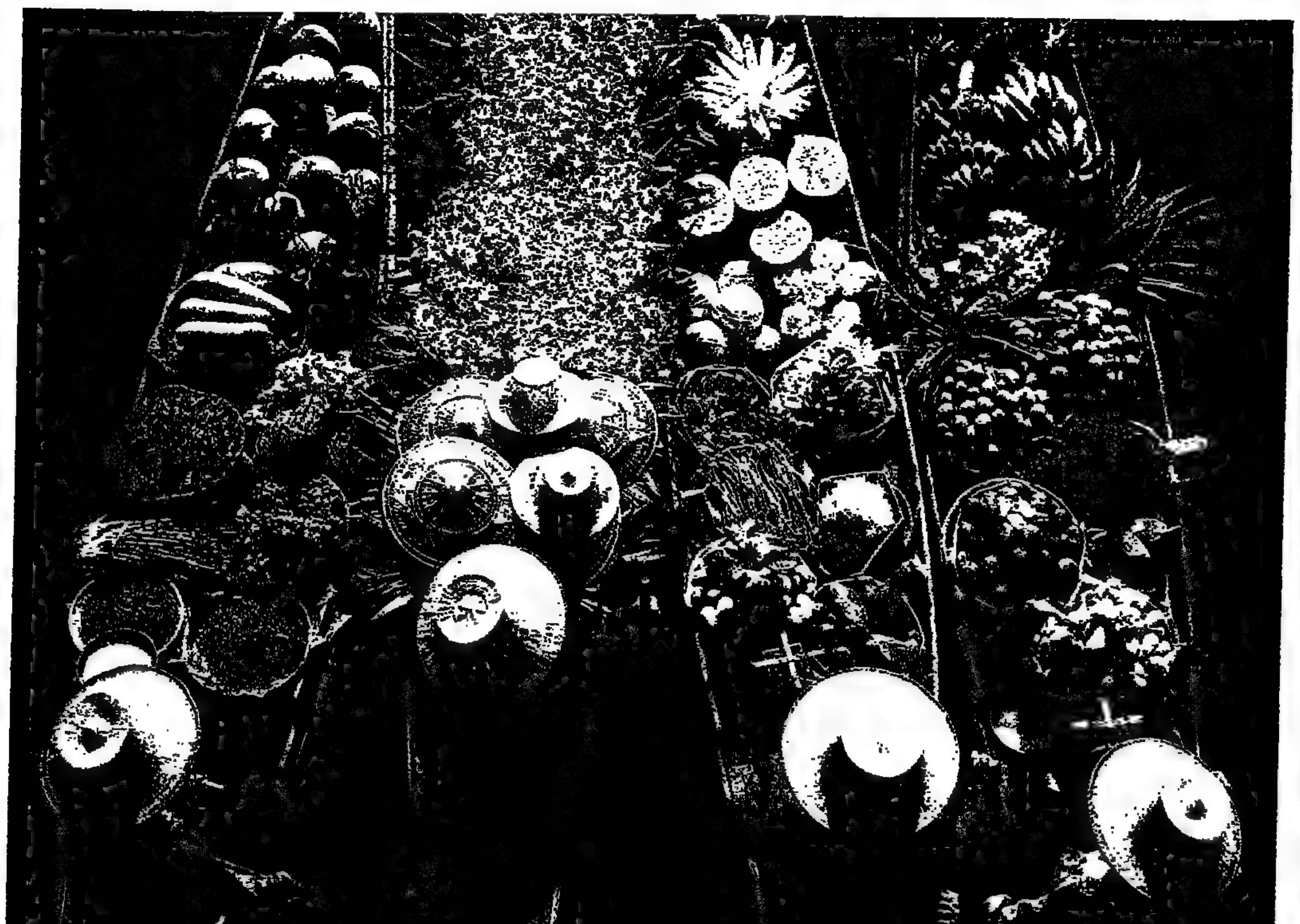


Bangkok: Largest computer order in Thailand's history goes to Siemens Nixdorf.

Thailand's Bank for Agriculture & Agricultural Cooperatives (BAAC) has invested in equipment that is already paying off for financial institutions all over the world: banking systems from Siemens Nixdorf. The order, worth DM 60 million, is Thailand's largest computer project to date. The state-owned bank is introducing advanced technology into 507 branches, with UNIX servers, PCs and printers from Siemens Nixdorf to be installed nationwide in the next five years. The decisive factors in BAAC's decision were Siemens Nixdorf's expertise and its extensive service network. With more than 20 service centres in Thailand, Siemens Nixdorf's subsidiary is always close to the customer.

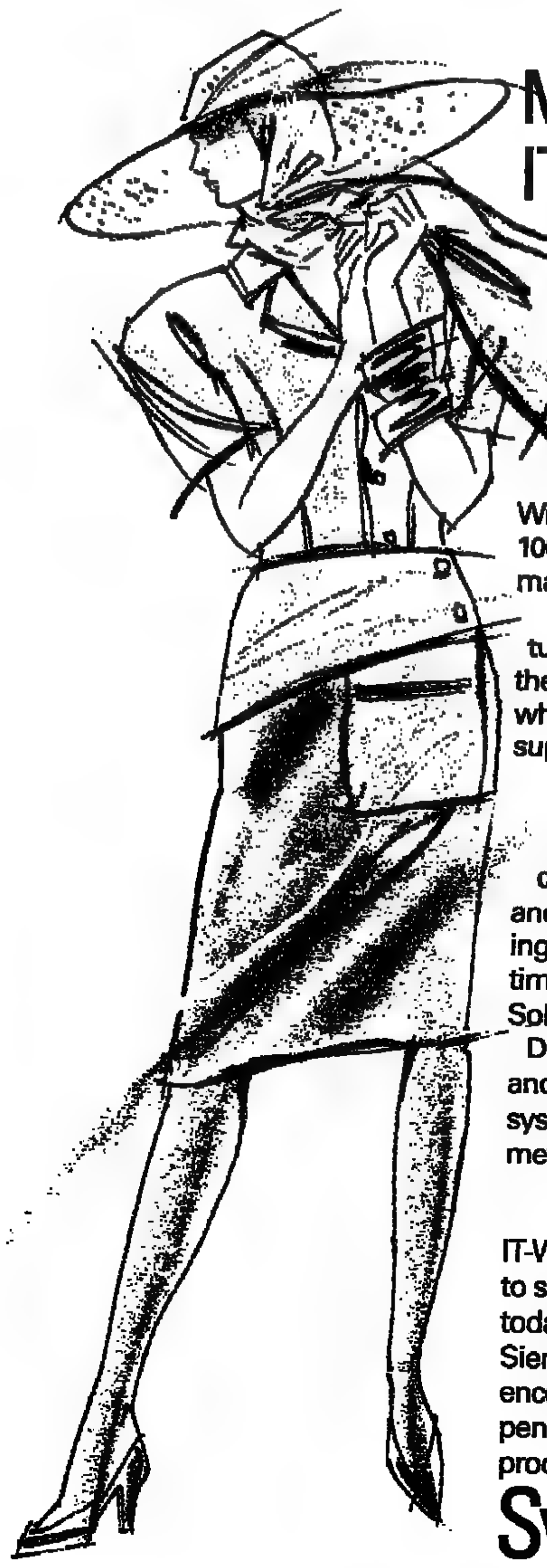
Zurich: Swiss private bank becomes BS 2000 customer No.5000.

In the European financial centre of Zurich, Rüd, Blass & Cie AG is a top banker in the brokering, securities trading, investment counselling and asset management business. To improve response times and efficiency in its specialised business, the bank opted for the 7.500 mainframe system from Siemens Nixdorf – and became the 5000th BS2000 user, worldwide. When the bank moves into Zurich's new stock exchange building next year, it will have an H60 mainframe computer, a C40 back-up system and a complete cable network that will provide all terminals with state-of-the-art communication services. "Software and quality of the hardware are decisive for the efficiency of our company" are reasons given by Executive Director Dr Rudolf W Frey in explaining their choice of Siemens Nixdorf.

BS 2000

Milan: Made-to-measure IT solutions to suit an Italian trendsetter in fabrics.

Fine linen and the best cotton fabrics from Solbiati Sasil: the materials that the dreams of international fashion designers are made of. With sales of more than DM 100 million and an enormous export market, the company is one of Italy's most successful fabric manufacturers. Solbiati's quality now has the backing of Siemens Nixdorf, whose Quattro and 8890 computers supply the raw material for total production planning: order processing, warehouse management, purchasing, quality control, statistics, time schedules and individual data for each weaving machine. Using complex real-time information, the terminals in Solbiati's showrooms in Munich, Düsseldorf, Milan, Florence, Vicenza and New York work as a just-in-time system, for more than 5 million metres of fabric every year.



Stockholm: For SAS, the customer has control.

How Siemens Nixdorf turns computers into marketing tools for its customers can be seen right away at airports in Gothenburg, Oslo, Stockholm and Copenhagen, where the Scandinavian airline SAS is moving towards self-service, with Siemens Nixdorf. The starting point: Siemens Nixdorf's Customer Service Centres (CSC) at the check-in. They're as easy to operate as a cash-point machine. SAS passengers don't have to queue: they can check themselves in at a CSC terminal, and have their boarding card printed out in seconds. Rapid, self-service check-in is particularly suited to frequent travellers and business passengers. Within three years, SAS will extend this unique self-service concept throughout Europe, working closely with Siemens Nixdorf.

IT-World News uses examples to show what can be achieved by today's information technology. Siemens Nixdorf has the experience and expertise to make it happen. As a systems supplier, our product range spans the spectrum of all essential IT components, from mainframes to Customer Service Centre terminals. Siemens Nixdorf works in partnership with its customers, creating the synergy that results in the best possible information technology solutions.

Synergy at work

For further information, please contact: Siemens Nixdorf Informationssysteme AG, UK 41, Postfach 83 09 51, 8000 Munich 83, Germany.

MANAGEMENT: The Growing Business

Cutting down on hot air

The owners of one large London office building reduced their gas consumption by two-thirds over a three year period when they modernised their energy management system.

Many businesses could make similar savings if they improved the quality of their energy controls, according to a new handbook.*

Quadrant House, headquarters of the Reed Publishing Group, was a speculative, air-conditioned office building, completed in 1980. Impressive savings in energy use and costs were achieved after energy management was contracted out to Matthew Hall. Under the arrangement, the contractor could invest its own time and money to make savings and share the benefits with the client.

Gas consumption was reduced by better control of the central air handling plant and by eliminating the inefficient use of central boilers in summer by installing point-of-use heating of hot water for catering and washrooms.

Just before the start of the contract in 1987, automatic lighting controls were fitted in the building and the banks of switches in corridors were replaced by local switches in each office. The improved plant and lighting management cut electricity use by 15 per cent, in spite of increased use of office equipment and the move to electric hot water heating in summer.

Managements should start by questioning their own energy use and policies, the guide suggests. What is the cost of energy used in their offices? How does it compare with other similar buildings? When was energy use last surveyed? And has management implemented any efficiency measures?

Technical assistance is available from a range of organisations providing energy consultancy and contract energy management.

Director's Guide to Energy Management. Institute of Directors. From Director Publications, Mountbarrow House, 6-20 Elizabeth Street, London SW1W 9RB. Tel 071 730 6060. £9.95.

CB

Business expansion scheme

Quick word with the neighbours pays off

Charles Batchelor says that the option is still open

Strangled by Inland Revenue regulations to prevent tax evasion and hijacked by the introduction of special privileges for rented housing, does the Business Expansion Scheme (BES) have any role still to play in financing small businesses?

The history of the BES as a programme for promoting enterprise has not been a happy one. It has raised more than £1.5bn since it was launched in 1983 but much of this money has gone into low-risk, asset-backed ventures, far removed from the entrepreneurial businesses first envisaged.

The BES allows investors to claim income tax relief on equity investments of up to £40,000 a year in unquoted companies while investors are also exempt from capital gains. In return, the companies in which they invest must conform to strict rules governing the sorts of activity they carry out (no commodities dealing or banking), their geographical spread (mainly in the UK) and the composition of assets (not too much land and buildings).

The introduction in 1988 of a two-tier system under which companies providing homes to let under assured tenancy agreements could raise up to £5m while other "trading" companies could raise only £500,000 – since increased to £750,000 – tilted the scales still further away from the entrepreneurial small business.

But wait. The BES may be down but it is certainly not out. Some small companies are managing to steer between the rocks of regulation to raise useful amounts of finance, while allowing their investors to enjoy the BES tax breaks.

The Oxford Toy Company, a two-year-old company with projected sales of £50,000, raised £31,200 from BES investors – friends and neighbours of its two founders in Wallingford, Oxfordshire – to finance the manufacture of its Quickword board game.

Hannah McDonald, who set up the company with her husband Stuart, says she read up the rules for raising BES finance in the Inland Revenue's BES leaflet, IR 51. A 10-minute telephone conversation with the company's auditor filled in the remaining gaps.

Writing a brief for investors was easier than filling in a tax form," says McDonald, a former fund manager. The local tax office gave its approval for the BES fund-raising in five days and Oxford Toy raised the money it needed within three weeks for a cost of just £86.

One of the investors, Martin Vaughan, a consultant with Unipart, a car parts group, was invited on to the board. Vaughan says he had no previous experience of the BES though he does own shares in three quoted companies.

Vaughan says he had been asked, as a neighbour, to test the board game and he was impressed by the enthusiasm and ingenuity of the McDonalds. "My wife and I thought it was worth a bit of a gamble," he says. Shareholders are kept in touch with a quarterly newsletter and several have offered their garages to store stocks of games.

But if Oxford Toy found it surprisingly easy to find its way through the thicket of regulations which surround the BES, The Whole Thing, a "green" mail order company based in Kendal, Cumbria, fell victim to the rules.

The Whole Thing attempted to raise £500,000 last year but ran into a problem with two large investors who would have owned more than 30 per cent of the company. This led to "the surreal situation of having to go to the the City Takeover Panel", recalls William Pryor, managing director. The six months delay forced the company into liquidation, though the business has since been resurrected as The Green Catalogue with projected first year sales of £500,000.

"People can slip up over the simplest things and lose their BES status," warns Mavis Seymour, BES tax consultant at accountants Stoy Hayward. One investor realised that he was not allowed to become a paid director of the company but he announced his intention of billing it for some work he planned to do. This would also be seen as "receiving value" from the company and led to him forfeiting his tax relief.

Most BES fund-raisings are small, private deals similar to that arranged by Oxford Toy, says Seymour. In terms of the money raised, however, most comes through the more formal prospectus issues backed by a BES specialist issuing-house.

Tony Andrews

All in the game: Hannah McDonald with shareholders Richard Lewis (left) and Nigel Willmot who are both neighbours

Prospectus issues enjoy two main benefits: they have been prepared by a specialist so should avoid the pitfalls which can trap the inexperienced. They can also make use of the sponsor's database of clients known to be interested in BES issues.

Derek Miles, an inventor, attempted to raise BES finance for The Contented Cook, a company set up develop a range of products based on an innovative cooking pot. Miles wrote his own document and arranged for copies to be sent out by a local financial consultant in Sidmouth, Devon. Miles raised just £6,000 of the £25,000 he was seeking and now says he would have been better to produce a proper prospectus for wider circulation.

The problem with prospectus issues is that any company not involved in providing assured tenancy housing has to compete with the property schemes. Since property companies can raise larger sums of money, their costs of fund-raising are relatively lower. This helps to explain why trading companies accounted for just £12m of the £256m raised by public BES offers in 1990-91.

"You cannot let the costs go above 10 per cent of the amount you are raising," says David Royds, a director of Matrix Securities, a BES sponsor. "But there is invariably more work in raising money for a trading company."

One way to reduce the cost of producing and distributing a prospectus is to put several companies in the same document. Neill Clerk & Plant Hill, a Glasgow-based firm of solicitors is currently working on a combined prospectus for three different companies. This can bring the cost of a typical fund-raising down from £35,000-£40,000 to £15,000, says Ross Macdonald, a partner.

An alternative way of reducing costs and boosting the amount of finance which can be raised is to create separate companies each owning one of a chain of, say, hotels or retail outlets.

If a company believes it can raise the finance it needs from a fairly small circle of investors, it may opt to prepare a memorandum. This need not contain as much detail as a full prospectus but may only be distributed to a restricted number of people, usually taken to mean up to 40 people.

A fourth method of raising BES finance is for a company to approach a BES fund. But investors have shunned funds, preferring to invest directly. For all the complications that surround raising BES finance, it remains popular with many companies. Neill Clerk says it receives three approaches a week from companies seeking BES finance while Matrix Securities claims to be "inundated" with requests for finance. Many companies are keen to attract investors they believe will be less demanding than professional venture capitalists.

The BES Association, representing sponsors and others in the industry, is calling for changes to the BES in the forthcoming budget to promote investments in smaller and riskier companies. It is clear that there is a continuing need for the BES and that it is failing to serve its original purpose.

In a Nutshell

Venture capital famine forecast

Small firms may be starved of venture capital finance when the economy starts to recover following a sharp fall in the amounts of venture capital raised in 1991, Foreign & Colonial Ventures (F&C), a development capital fund, has warned.

Independent UK venture capital firms raised only £400m in new funds last year, less than half the £850m raised in 1990 and well below the £1.7bn figure the year before that, according to estimates by F&C and Venture Economics, an industry research group.

Independent venture capital firms have had difficulties raising finance in the past year because of the poor performance of many of the funds raised during the 1980s. But the independents account for only part of the venture capital market and the F&C figures exclude 3i, the largest venture capital firm, and the "captive" funds belonging to the banks and other financial institutions.

The amounts invested by independent venture capitalists also fell last year, though less sharply, F&C estimated. Investments were £900m in about 600 companies compared with £951m put into 618 companies in 1990 and £1.2bn into 574 companies the year before that.

Franchise for job creation

Nearly 6,000 new jobs have been created by franchised businesses over the past year despite a fall in levels of turnover, according to a survey* by the British Franchise Association (BFA) and National Westminster Bank.

A total of 189,500 people are now employed in the franchise sector, the survey found. But combined sales in the year ended June 1991 fell from £5.2bn in 1990 to £4.8bn.

The number of franchised outlets rose from 18,260 to 18,600 and franchisors expect the number to double by 1995.

The number of franchise systems available rose by 14 per cent from 379 to 432.

The failure rate of franchised businesses rose from 5.7 per cent a year to 7.2 per cent but was still below that of non-franchised businesses, the survey's authors said.

From BFA, Thames View, Newtown Road, Henley on Thames, Oxon RG9 1HG. Tel 0491 578050. £75.

Blowing the export trumpet

Small businesses which have increased their export earnings over the past two years are eligible to enter for the latest annual Export Award for Smaller Businesses. More than £25,000 in prizes is on offer for five independent companies employing up to 200 people each and with export sales of at least £100,000 in their most recent financial year. The competition is sponsored by the British Overseas Trade Board and others.

Contact Award Administrator, Export Award for Smaller Businesses, Reed Information Services, Windsor Court, East Grinstead, West Sussex RH19 1XA. Tel 0342 326972. Closing date for entries is March 13.

Keeping a check on the banks

More than half of business customers may be paying incorrect interest charges to their bank, according to a survey carried out by Phoenix Finance Management, a Northampton-based supplier of computer software.

Phoenix surveyed customers who had bought its Bankchek program, which checks to see if interest is being properly calculated, and found that 67 out of 116 respondents had discovered discrepancies.

Eleven had received refunds, usually accompanied by explanations and apologies, while 30 others were challenging their banks.

Some businessmen and women found a new bank manager was unaware of verbal agreements reached with a predecessor and then imposed a higher rate which went undetected for months or even years.

Often customers were unaware of the penalty rates of interest which applied when an overdraft limit was exceeded.

Phoenix Tel 0604 259211

BUSINESSES FOR SALE

Touche Ross

Ferry House Engineering Limited

(In Administrative Receivership)

The Joint Administrative Receivers, L. H. Gatoff and I. Brown, offer for sale the business and assets of the above company.

- The company specialises in welding, fabrication and pipework and holds British Standard 5750, ASME and ANSI.
- Well established quality customer base.
- Experienced well qualified workforce including quality assurance personnel.
- 12,000 square foot freehold premises.
- Annual turnover of £1.5 million.

For further information please contact M. B. Jackson at the address below:

93a Grey Street, Newcastle upon Tyne NE1 6EA.
Tel: 091 261 4111. Fax: 091 232 7665.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

CHRISTIE & Co
Licensed Property Auctions

FINAL REMINDER

UPON THE INSTRUCTIONS OF MORTGAGEES IN POSSESSION, BANKS, RECEIVERS, CORPORATE AND PRIVATE CLIENTS.

FOR SALE BY AUCTION
ON 29TH JANUARY 1992
(Unless previously sold by private treaty)

Major sale of Licensed premises. Trading businesses, closed units, redevelopment opportunities.

Sale commences 2.00pm
at London Kensington Hilton.

For further details and catalogue ring the Auction Division on
071 486 4231

Food and Drink Wholesalers

Jabro Limited (In Receivership)
Jabro Food and Drink (Hayes) Limited (In Receivership)
Jabro Food and Drink (Luton) Limited (In Receivership)

J M Iredale and N J Vooght, the Joint Administrative Receivers, offer for sale the business and assets of the Jabro Group of food and drink wholesalers, including:

- Established wholesaling business with wide customer base
- Substantial freehold and leasehold premises in Luton and Hayes
- Wide ranging stock with book value estimated at more than £2 million
- Turnover in excess of £30 million per annum

For further details please contact the Joint Administrative Receiver, J M Iredale at Cork Gully, 9 Greyfriars Road, Reading, RG1 1JG Tel: (0734) 500336 Fax: (0734) 607703

Cork Gully

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I.R. Tools Limited

Sheffield

The Joint Administrative Receivers offer for sale the business and assets of I.R. Tools Limited, as a going concern.

The company's business comprises the supply of band saw blades, specialist steel sawing, dealers in new and refurbished machinery and machinery servicing.

Principal features include:

- Annual turnover c£1.0m
- Large, extensive freehold premises
- Established customer base
- Modern plant and machinery
- Skilled and semi-skilled workforce
- Investment property with rental income

For further information contact the Joint Administrative Receiver, Rodger Taylor, KPMG Peat Marwick, The Fountain Precinct, 1 Balm Green, Sheffield S1 3AF. Tel: 0742 766789. Fax: 0742 766213.

KPMG Corporate Recovery

Sharpe Precision Engineers Limited

The Joint Administrative Receivers offer for sale the business and assets of Sharpe Precision Engineers Limited

The company, based in Camberley, Surrey is a precision-engineering business specialising in high quality aerospace work. It is a quality approved sub-contractor for leading aerospace companies.

Included for sale are the following:

- Modern computer operated machine tools
- Quality measurement facilities
- Turnover in the region of £0.5 million per annum.
- Blue chip customer base.
- Leasehold property comprising approximately 6,000 square feet
- Highly skilled workforce

For further information contact the Joint Administrative Receiver, Peter Berne, KPMG Peat Marwick, 7th Floor, Astral Towers, Betts Way, Gatwick, RH10 2XA. Tel: (0293) 652000. Fax: (0293) 652100.

KPMG Corporate Recovery

Brake Industries Ltd
(In Receivership)
Sheffield

The above company manufactures and supplies brake disks to the motor trade aftermarket.

- Recently built factory/offices
- Long leasehold 1.1 acre site
- Modern high technology equipment
- Projected annual turnover £1.5m to £2m
- Growth market
- Substantial stocks

For further details contact the Joint Administrative Receiver: Geoffrey A Gee, Grant Thornton, 28 Kenwood Park Road, Sheffield S7 1NG.
Tel: 0742 687736
Fax: 0742 687838

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Western Blinds Group

Gloucester

The Joint Administrative Receivers offer for sale as a going concern the business and assets of the Western Blinds Group (incorporating Western Blinds Limited, Glevum Contracts Limited and J. Avery & Co. Limited). The group is engaged in the design, manufacture, installation and sale of a complete range of internal blinds, curtains and tracks together with an extensive external blind program.

Principal features include:

- Well established "Levolux" brand name.
- Turnover of £2.5 million per annum.
- Approximately 50 skilled employees.
- Freehold premises of 20,000 sq. ft. in Gloucester.

For further information contact the Joint Administrative Receiver, John Wheatley, KPMG Peat Marwick, Lansdown Road, Cheltenham, Gloucestershire GL50 2JA. Tel: 0242 222020. Fax: 0242 221970.

KPMG Corporate Recovery

Construction Company

Bedford

The Joint Administrative Receivers offer for sale the business and assets of Bushby Homes Limited and its subsidiary company Bushby Construction Limited.

Principal features include:

- Freehold site of 2.2 acres, comprising office block, builders yard and car parking, suitable for housing development.
- Freehold site comprising seven substantially complete bungalows with private garages.
- Freehold site comprising a warehouse (with planning permission for conversion to flats) and a semi-detached house.
- Contracts -in-progress.
- Annual turnover in excess of £5 million.

For further details contact the Joint Administrative Receiver, Myles Halley, KPMG Peat Marwick, Spencer House, Cliftonville Road, Northampton, NN1 5BU. Tel: 0604 34480. Fax: 0604 32297.

KPMG Corporate Recovery

KIDSONS IMPEY & PARTNERS

By Order of the Joint Administrative Receivers I. Clarke Esq. F.I.P.A. and R. M. Withinshaw Esq. F.C.A. of Kidsons Impey & Partners.

NORTHERN BASED MOTOR DEALERSHIP

- 5 Freehold Sites.
- Benefit of Fiat and Proton Franchises.
- New and Used Car Sales.
- Workshop and Body Repairs.
- T/O to year ending 31.10.91 £7.4m.
- Location Greater Manchester/Lancs/W. Yorks.

BUSINESS & ASSETS FOR SALE

Contact Ref: RJG

ES&P
EDWARD SYMMONS & PARTNERS
Rational House, 64 Bridge Street, Manchester M3 3BN
Fax: 061-832 2571
LONDON • MANCHESTER • LIVERPOOL • BRISTOL • SOUTHAMPTON

Tel: 061-832 8454

Barras (Garages) Ltd.

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Barras (Garages) Ltd

Principal features include:

- Two franchise dealerships, Renault in Warrington and Vauxhall in Runcorn with £11 million annual turnover
- Modern purpose built fully equipped freehold premises of approximately 2.5 acres on the Renault site.
- Leasehold premises of approximately 0.25 acres on the Vauxhall site.
- Premises conveniently situated with good motorway access in Warrington and Runcorn.
- Approximately 40 employees.

For further details contact the Joint Administrative Receivers, Peter Terry or Phil Ramsbottom, KPMG Peat Marwick, 7 Tib Lane, Manchester M2 6DS. Tel: 061 832 4221. Fax: 061 832 7265. Telex: 668 795 PMMMAN G.

KPMG Corporate Recovery

Maxwell Business Communications Group Limited (In Administration)

The joint administrators offer for sale the shareholdings held by Maxwell Business Communications Group Limited (in administration) in the following companies which are not in administration:

1 MBC Exhibitions Ltd

- Owner of exhibition rights.
- Organiser of various exhibitions covering interior design, industrial, catering, information technology and retail.
- Year ended 31 March 1991 per unaudited accounts turnover £4m.
- Wholly-owned subsidiaries:

a) Trenton Group Ltd

- Owner of exhibition rights.
- Organiser of various exhibitions covering heating and ventilating, packaging, commercial finishing, teleconferencing, print machines and product finishing.
- Year ended 31 March 1991 per audited accounts turnover £4m.

b) Evan Steadman Communications Group Ltd

- Owner of exhibition rights.
- Organiser of various exhibitions covering electronics, scientific instrumentation, industrial controls, chemical ingredients (cosmetics industry), antiques and local government information technology.
- Operates small printing division.
- Year ended 31 March 1991 per audited accounts turnover £8m.
- Fixed assets include freehold and leasehold land and buildings at Saffron Walden.

2 MBC Information Services Ltd & Waterlow Directories Ltd

- MBC Information Services Limited and Music Master Publishing Limited businesses.
- Trading activities include company services and costs drafting, credit services, electronic publishing and periodical publishing.
- Year ended 31 March 1991 per audited accounts turnover of MBC Information Services Limited and Waterlow Directories Limited £7m and £2m respectively.

3 Maxwell Business Communications Ltd, Video Trade Weekly Ltd & Track Record Publishing Ltd

- Publisher of some 90 business to business magazines.
- Titles published include Architects Journal, Architectural Review, Building Products, Cranes Today, Factory Equipment News, Video Trade Weekly, Modern Power Systems, Retail Week and Fishing News.
- Year ended 31 March 1991 per unaudited accounts turnover of Maxwell Business Communications Limited £40m.
- Freehold and leasehold properties available with sale.

The joint administrators are seeking a sale of the share capital of the subsidiaries, but offers will be considered for the businesses.

For further information, please contact: AJ Barrett, Price Waterhouse, No 1 London Bridge, London SE1 9QL. Telephone: 071-939 3000.

This advertisement has been issued for the purposes of Section 57 of the Financial Services Act 1986 by Price Waterhouse. Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Price Waterhouse

On the instructions of J S Wheatley and A M Davies
Joint Administrative Receivers
KPMG Corporate Recovery

FOR SALE
THE RIVERSIDE HOTEL, CARDIFF

Going concern, 35 Bedrooms
3 Bars Restaurant Function Rooms
Night Club licensed for 120 people
Recently refurbished, ensuite facilities, large car park

Offers are invited

Contact Philip Yapp or Alan Williams

DEBENHAM TEWSON
Marchmont House, Dumfries Place, Cardiff CF1 2RJ

BUSINESSES FOR SALE

K7806	Major Bed manufacturer in good location and with well-established customer base.
K7764	South London based Coach & Mini-bus operator with turnover exceeding £500K.
K7786	Midlands based Coach operator with £500K + turnover.
K7777	Dutch based Tour operator with excellent long leasehold site.
K7782	Scottish Based injection moulding business manufacturing own range of unique products for major industry sector.
K7794	Quick sale required for S.E. based Thermoplastic recycling company. Turnover £1.5m, asset value £650K, wants £400K to include freehold.
K7775	Southern based print finishing company with £500K + turnover.

We also have various commercial sites located around the U.K. Please contact Stephanie Lane, KCR International Ltd, Hardicker House, Hardicker Street, Manchester. M19 2RB. Tel: 061 443 1327 or Fax: 061 443 1323.

VAN AND CAR HIRE

Well established van and car hire business for sale. Situated in the North of England. 3 depots. Annual turnover 1.1 million and increasing. For further details either phone or write Mr. P Goodwill
Nelson & Co
St Andrew's House St Andrew's Court
67/67a Burlem Street Leeds LS3 1LA.
Tel: 0532 436491.

FOR SALE

Harford Plant Hire
Long established
Norfolk based
broad client list
Prime mixed fleet
experienced team
premises & land
available.
Ref: JCD 0603 743211

By order of GCA Morphitis and FFA Wessely of Messrs Cape and Dalgleish, Joint Receivers of The Jazz Café Limited

FOR SALE
as a going concern

Jazz Café

CAMDEN, LONDON NW1

Offers invited for the leasehold interest, business, goodwill, fixtures and fittings.

All enquiries
CURRELL & CO.
Chartered Surveyors, Valuers and Commercial Agents
96 Upper Street, Islington, London N1 ONP Tel: 071-354 5050 Fax: 071-354 5658

FOR SALE
REPRO HOUSE

Due to impending retirement, privately owned company established over 40 years, latest technology, skilled workforce. Turnover over £2m, trading nationally.
For further details, please write in the first instance to:

MONTAGU PROFESSIONAL SERVICES LIMITED,
94, GLOUCESTER PLACE,
LONDON W1H 3DA.
Ref. KSH/DMAG/SCR.

South West Precision Engineering Company for sale

Turnover £450k approximately. Blue chip customer base, servicing mining, water, hydraulics and electronic industries.The business if for sale due to Group re-organisation. Experienced Management Team in place.

Please write Box H9486, Financial Times, One Southwark Bridge, London SE1 9HL.

HOTELS

CLUBS/RESTAURANTS
WORLDWIDE
BUY / SELL
FRANCHISES
LEASES
PLEASE CONTACT
TEL: 071 323 4838
FAX: 071 436 1095
TLX: 21539 SUCCES G

FOR SALE

- CIVIL ENGINEERING/CONSTRUCTION BUSINESS
- Midlands Based T/O £40-45m
- Profitable, good cash flow with strong order book
- Principals only to box H9479, Financial Times, One Southwark Bridge, London SE1 9HL.

Chair Manufacturer

Owners of a well established Buckinghamshire manufacturer of quality office chairs wish to retire. Sale could include 12,000 sq.ft. freehold premises which can be conveniently sub-divided

Contact: J C H Woodbridge

NEVILLE RUSSELL
Chartered Accountants

Neville Russell
1 Telford Way Luton
Bedfordshire LU1 1HT

BUSINESS WANTED

TAX LOSS PROPERTY CO. Required to Purchase Property Assets acceptable. Write Box H9719, Financial Times, One Southwark Bridge, London SE1 9HL.

SOUTH-EAST MANUFACTURING Company. 750K Turnover. 75K Net Profit. Full order book. Own product in niche market. Replies to Box No: H9473 Financial Times, One Southwark Bridge, London SE1 9HL.

EMPLOYMENT AGENCYFOR SALE - S.W Herts/High St. posn. estab. 10 years - solid blue chip client base - owner retiring - £75,000 Box H9476, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESSES WANTED

BUSINESS WANTED
Automotive Accessories or Components

An expanding UK group wishes to acquire for cash:
- a manufacturer, assembler or distributor
- selling either to after-market retailers or to OEM customers
- turnover up to £10 million; with minimum of £2 million
- not necessarily profitable

Vendors or their advisers should contact Anne Jordan or Barrie Pearson on 071-388 7000 in absolute confidence. Your identity will not be revealed to our client without your permission.

Livingstone Fisher Plc,
Acre House, 11-15 William Road, London NW1 3ER.

LIVINGSTONE FISHER
The Acquisition & Disposal Specialists
A Member of FIMBRA

BS5750

Our client is interested in acquisition of or joint venture with a producer of frozen or chilled foods (i.e. baked goods, desserts) with turnover of up to £5 million whose manufacturing facility currently meets BS5750 standards.

Apply in complete confidence to:
Brooks Carling,
Write Box No: H9477 Financial Times,
One Southwark Bridge, London SE1 9HL

We are in contact with a substantial number of major PLC's in mergers and acquisitions who are constantly looking to acquire sound companies for cash, equity or earn-out deals.

We would be pleased to hear from controlling directors and principals of companies wishing to sell with minimum turnover £1 million and pre-tax profits £100k with no upper limits.

For further details or a copy of our brochure please telephone:
Mark Dunn ACI on 0625 585733 or fax 0625 536081

WANTED CONTROLLING INTEREST IN MEDIUM SIZED BUILDING COMPANY (TURNOVER £5m - £10m)

Medium sized, very successful Civil Engineering Company operating from M4 - Scottish Border seeks acquisition to boost turnover and capability. Ideal applicant would have an underlying historically profitable business and a proven sound management team capable of continuing under new essentially financial control. The purchaser would anticipate being able to provide balance sheet strength and financial stability to support applicants existing and projected borrowings which may currently be extended due to the present sales slump and reduced land bank values.

Enquiries with brief details of approximate company size, general location and type of operation should be forwarded by principals in the first instance, to Box H9717, Financial Times, One Southwark Bridge, London SE1 9HL.

PRINCIPALS SEEK

Small to medium sized media company for investment or outright purchase. Must be London based (pref. central), with N.P.A. recognition.
Please forward full details and accounts to:
Box No: H9494 Financial Times, One Southwark Bridge, London SE1 9HL.

TREASURY SERVICES

Well capitalised financial services group requires companies/individuals to expand its sound operational base. Treasury services to include Forex/Futures/Derivatives as well as Commodities/Equities/Options etc.

Principals only to apply in strict confidence to:
Box No. H9381, Financial Times,
One Southwark Bridge,
London SE1 9HL.

INVESTOR SEEKS OPPORTUNITY

- £250k - £1m for majority stake
- Profitable concerns
- Within 1 hour of West London
- Min. 3 Year track record

Principals only
Reply with 2 copies to: Neil Jameson, Price Waterhouse, Corporate Finance, Queen Victoria House, Guildhall Rd, Hull

FAMILY CONTROLLED GROUP OF COMPANIES

Wishes to purchase companies in the following sectors:
MANUFACTURING, DISTRIBUTION OR SERVICE INDUSTRY.
Companies must have strong committed management with growth potential of niche markets.

Please write giving brief details to:
The Chairman
Box No. H9715, Financial Times, One Southwark Bridge, London SE1 9HL.

PAYROLL BUREAU OPERATION SOUGHT

Client wishes to acquire payroll bureau service with turnover in the range up to £5 million to add to existing Computer Bureau operations.

Send information in confidence under reference CRE1 to:
RAPHAEL ZORN HEMSLEY LIMITED
10 THROGMORTON AVENUE
LONDON EC2N 2DP
TELEPHONE 071-628 400
FACSIMILE 071-628 6047
A member of the Securities and Futures Authority Limited & London Stock Exchange
Established 1787

WANTED: PLASTIC FILM PRODUCTION FACILITIES

A specialist UK based food packaging company is interested in acquiring plastic film co-extrusion facilities.
Total acquisition is preferred but purchase of major shareholding would be considered.
Extrusion line(s) should be capable of multi-layer construction including LDPE/LLDPE/POLYAMIDE/EVOH structures.

All responses treated in complete confidence.
Write to Box No: H9468
Financial Times,
One Southwark Bridge,
London SE1 9HL

SECURITY AND CLEANING CONTRACTORS WANTED

Substantial private company wishes to purchase companies in the Security and Cleaning Services sector. Write to
Box H9485, Financial Times,
One Southwark Bridge,
LONDON, SE1 9HL

WANTED

Midlands/South Yorks
Plastics extrusion company or hose manufacturer. Own product.

Turnover 1/2 - 2 million

Write to: Box H9482 Financial Times,
One Southwark Bridge,
London SE1 9HL

GROWING EXPORT COMPANY

Specialising in military/protective clothing, fire fighting equipment, medical supplies etc looking for expansion through purchase of like companies or consider backing individual(s) with order book but short on finance/office facilities.

Reply Paul Jobert Wood Harris Ltd
Cleeve Court, Cleeve Road,
Leatherhead KT22 7HL

WANTED LISTED/USM COMPANY

Experienced former listed company management seek to reverse long established and profitable engineering business into listed/USM company.
Principal only should respond.
Write Box H9497, Financial Times, One Southwark Bridge, LONDON, SE1 9HL

ENGINEERING BUSINESSES

Established profitable and cash positive engineering business seeks to acquire businesses in all sectors of engineering, associated products or services. Full details should be sent to:
Write to Box H9715, Financial Times,
One Southwark Bridge,
London SE1 9HL.

CONSUMER FINANCE

To assist its further expansion into U.K. market, subsidiary of plc seeks acquisition/merger/partnership with Independent Finance House/s, specialising in point of sale Consumer Credit.
Principles only please, write
Box H9496, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESSES FOR SALE

MANUFACTURERS, SUPPLIERS AND INSTALLERS OF COMMERCIAL CATERING AND SERVERY EQUIPMENT

Oliver Toms Catering Equipment

The Joint Administrative Receivers offer for sale the business and assets of the above company which is a division of Moorwood Vulcan Limited and based in Perivale, Middlesex.

Principal features of the business include:
- annual turnover in excess of £5 million
- order book c.£750,000
- blue chip client base including several major retailers
- leasehold offices and factory of c.35,000 sq ft

For further information and sales particulars contact C J Barlow at Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ. Telephone: 071 606 7700. Fax: 071 606 9887.
Or, A J Kett at the company's premises on Telephone: 081 997 9977. Fax: 081 998 8452.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

THE GROVE COLOURPRINT GROUP LIMITED

Grove Colourprint Limited
Grove Web Offset Limited
PRS Finishers Limited

The Joint Administrative Receivers T.R. Harris and C.J. Hughes, offer for sale as whole or in parts the above companies' freehold and leasehold premises, production plant and equipment together with other business assets of this high quality commercial sheet fed and web colour printers and finishers.

For further information please contact T.J. Reid at Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ.

Telephone: 071-606 7700 Fax: 071-606 9887

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

MODUS T SYSTEMS LTD
(IN ADMINISTRATIVE RECEIVERSHIP)

The Joint Administrative Receivers offer for sale the business and assets of the above company.

- Design and marketing of innovative grounds maintenance equipment offering low capital cost, one man operation, low maintenance cost and modular design.
- Based in Wem, Shropshire.
- Turnover approximately £600,000 p.a., with significant potential for further growth.
- 5 employees.
- Unique and competitive range of grounds maintenance products, including the Atco Gangmaster.
- Registered trademark.
- Established distributor network and customer base in UK, Scandinavia, Europe and North America.
- Substantial after sales potential.

For further information please contact David Lovett or David Duggins:
Arthur Andersen & Co.
1 Victoria Square
Birmingham B1 1BD
Tel: 021-233 2101
Fax: 021-643 7647

Arthur Andersen & Co. is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

ARTHUR ANDERSEN

PRECISION ENGINEERING MANUFACTURING BUSINESS

Modern manufacturing facility with CAD/CAM and painting and stoving line. ISO 9000 manufacturing status. Advertisers interested in additional fabrication work or joint venture or outright sale. Principles only.
Write Box H9716, Financial Times, One Southwark Bridge, London SE1 9HL.

NURSING HOMES FOR SALE

100% purpose built facilities
Units range form 50 to 80 beds.
All areas of U.K.

TEL 0273 465304

For Sale

Electronic component manufacturer.
Customised specialist products.
Well established, Sales £750,000.
Highly profitable. Broad customer base.
Strong growth prospects. Owner retiring.
Location South.
Write Box No: H9487 Financial Times,
One Southwark Bridge, London SE1 9HL.

Reliance-Mercury Ltd

The Joint Administrative Receivers offer for sale the business and assets of the above company, which produces specialised vehicles at manufacturing plants in Halifax and Crewe

- *Designer and manufacturer of fire engines, aircraft towing tractors and sea terminal tractors*
- *Freehold property of approximately 62,000 sq. feet, in Halifax*
- *102 employees*
- *Annual turnover around £2.7m*

For further details contact: Mark Dobell, Ernst & Young, Barclays House, 6 East Parade, Leeds LS1 1HA Tel: 0532 431221 Facsimile. 0532 442241.

- *Well-known designer and manufacturer of ambulances under the trade name Mountain Range*
- *79 employees*
- *Operating from substantial rented premises in Crewe*
- *Annual turnover approximately £4.3m*
- *Good order book*

For further details contact Scott Martin or John Warren, Ernst & Young, Lowry House, 17 Marble Street, Manchester M2 3AW Tel: 061 953 9000 Facsimile: 061 834 7117.

ERNST & YOUNG
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Super Kart Racing Limited

The Administrative Receivers offer for sale the business and assets of Super Kart Racing Limited.

- *Established Indoor Kart Racing Circuit*
- *First in North East England*
- *Freehold premises, approximately 78,000 sq ft*
- *Catering and bar facilities*
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TECHNOLOGY

Gene therapy offers the most promising method of treating cystic fibrosis, writes **Elisabeth Tacey**

Breathing easier about new cures

Imagine trying to clear your throat of a mucus so thick that researchers have to cut it with a razor blade for their experiments.

That is daily life for 30,000 Americans and 25,000 Europeans suffering from cystic fibrosis, the most common genetic disease among Caucasians.

It is likely to kill most of those people before they are 30, yet by the end of the century this fatal disease may be curable. If so, it will provide an outstanding success story for biotechnology and genetic medicine.

Ten years of worldwide genetic investigation reached a climax in 1989 when researchers at the universities of Toronto and Michigan isolated and worked out the structure of the gene which causes the disease. It turned out to be a code for a protein known as cystic fibrosis transmembrane regulator (CFTR) which is involved in carrying chloride ions across the cell membrane.

Scientists then managed to correct the defect in test-tube cell cultures.

This month the journal Cell reported another breakthrough: the National Institutes of Health in the US had successfully treated rats with cystic fibrosis by getting the gene into the lungs using a virus to carry it.

Genzyme, the Massachusetts-based biotechnology company, is working on a cure for cystic fibrosis. It claims to be the first to have built the entire DNA sequence responsible for directing the protein's production in cells and in inducing genetically-engineered cells to form the protein.

Gene therapy appears the most promising treatment in the long run, since it would be permanent. However, Alan Smith of Genzyme says that the one-off gene replacement operation is "way, way off".

Getting the correct gene to the lung site is a difficult job. Francis Collins at the University of Michigan said on reporting the test-tube experiments: "Safe and effective delivery of the gene to a large proportion of lung cells is the big question now."

The human DNA has to be fitted into the DNA of a virus made harmless by genetic engineering, then the virus targeted at the correct cell where it can copy the human DNA.

However Robert Beall of the Cystic Fibrosis Foundation, who also leads the research programme at the NIH, claims to have solved some of the problems. His team treated rats with cystic fibrosis using an inhalation technique to get the virus carrying the correct gene into the lung.

The next step is to try the technique on monkeys, with human trials to follow if monkey treatment is successful. Smith points out that such therapy as changing a person's genetic material will only be done once the science has been fully worked out.

As an interim treatment, Genzyme is developing drugs to stop the defective gene working. Patients would be given these together with the correct CFTR protein.

Smith reckons that the mutant protein does not fold properly, so it gets stuck in the cell and broken down there. The problem seems to be caused by the deletion of one amino acid of the 460 that form the protein. His team is working on making the protein using transgenic goats, in which the human CFTR gene is inserted. The protein is released in the animals' milk in greater quantities than could be achieved in a laboratory.

The next step, he says, is to find out how to get the protein to the affected sites – which will mean reconstituting it in the lungs, as the body will break it down elsewhere.

Meanwhile in California Genentech, the US's largest biotechnology company, has developed a treatment with the more immediate aim of easing the breathing problems of sufferers whose air passages get blocked by mucus.

Steve Shak, director of immunobiology at Genentech, was struck by reports from the 1960s of "extraordinary amounts" of DNA being found in the mucus of cystic fibrosis suffers, which made it so thick. The researchers found that a bovine DNase, an enzyme in cows that breaks down DNA, could help.

There had even been uncontrolled experiments on cystic fibrosis patients that showed that the bovine enzyme thinned the mucus but that some sufferers reacted against the foreign protein. Shak explains that the work had not been followed up: "Mucus secretions are not a topic of great scientific investigation".

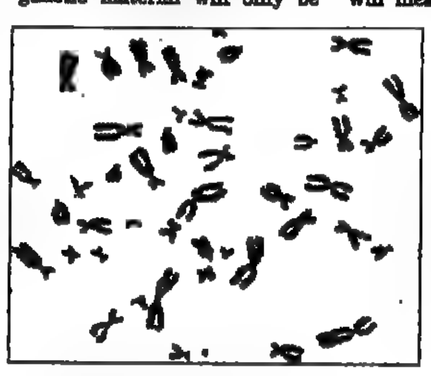
Two years of recombinant DNA work led to the isolation of human DNase. Shak then got some mucus from acute cystic fibrosis sufferers and, having had to cut it with the razor-blade to get it into test-tubes, found that after 15 minutes mixing with DNase, it "flowed freely".

Clinical trials of DNase began in the US last June and final trials began this month, with approval for sale expected next year. "We know that DNase is not likely to be a cure," says Shak. "It's likely to be used with other therapies under development."

He stresses the part that biotechnology played in its development. "There is no way of solving this problem [of thick mucus] other than by recombinant DNA methods."

The Genzyme and Genentech treatments are likely to be approved as "orphan" drugs, which target diseases afflicting less than 200,000 people in the US. Orphan drug makers receive tax benefits and a seven-year monopoly on the drug once it comes to market.

A young cystic fibrosis patient learns to take medicine to help clear his blocked lungs



It's all in the genes

Gene therapy in the UK received approval last week from a government committee chaired by Sir Cecil Clothier, a distinguished lawyer.

The procedure, pioneered in the US, involves correcting genetic defects by adding new genes to the cells where they are needed. It is expected to be a more effective and longer-lasting treatment than conventional drugs which merely alleviate some of the symptoms.

Several research groups in the UK are preparing trials of gene therapy for diseases including cancer and thalassaemia (a severe blood disorder) as well as cystic fibrosis. Most patients are likely to be children.

The first gene therapy patient was a four-year-old American girl suffering from a rare inherited disorder of the immune system. The treatment in September 1990 has brought about a dramatic improvement in her condition. Since then, half a dozen other gene therapy studies have started in the US.

The treatment approved by the Clothier committee is "somatic gene therapy". It corrects the defect by adding new genes to certain cells – for example in the lungs or bone marrow – but the genetic change is not passed on to the patient's offspring.

The committee decided that on moral and ethical grounds this type of gene therapy is not fundamentally different from other advanced medical procedures such as organ transplants or blood transfusion.

In contrast "germ line gene therapy", which would affect future generations, is generally regarded today as medically unpredictable and ethically unacceptable. It is unlikely to be approved anywhere in the world, at least for a few years.

A procedure equivalent to germ line therapy is now used to make "transgenic" animals – for example sheep which produce valuable human proteins in their milk – by inserting genes into newly fertilised embryos. But, as the Clothier report points out, "little is known about the possible consequences and hazards [of human germ line therapy] and any harm to future generations would take a long time to discover and deal with."

Even somatic gene therapy has possible dangers, but these would only affect the individual patient. The present technology, which uses disabled viruses to carry new genes into human cells, inserts the DNA almost at random. There is therefore a risk that it could cause a new mutation by disrupting some other gene or its means of control – possibly even switching on a dormant cancer-causing gene.

However, in comparison with the severity of the inherited diseases they are intended to treat, the risks of gene therapy are generally thought to be acceptable. After publishing the Clothier report, the Department of Health said there would be a four-month consultation period before the government decides on permanent arrangements for regulating gene therapy. Any proposals for UK gene therapy trials made before then will be considered by Sir Cecil's Committee on the Ethics of Gene Therapy.

Clive Cookson

Diesel cleans up its act

By John Griffiths

Until recently I had not driven a diesel car in earnest since the launch of Peugeot's 405 diesel range in the late 1980s. In the past few weeks, however, acquaintance has been renewed with several diesels – prompting the immediate question, when it comes to the workhorse saloon and estate car sector at least, of why most people would ever want to drive anything else?

And why, if governments are as committed to reducing urban pollution as they claim, are there not greater financial incentives to promote the use of cars which are more economical and environmentally "cleaner" than their petrol-powered counterparts?

Diesel-powered engines seem to run forever on a tankful – on last week's 405 Peugeot turbodiesel (the same engine as fitted to Citroëns and Rover 400 cars) the gauge was still trying to cling to the half-full mark after nearly 400 miles. Performance of all the latest generation of high-speed car diesels is broadly similar.

Performance-wise, the Peugeot was substantially perkier than the family two-litre petrol *Montego*. The old perception that diesels are necessarily slow, dirty and smelly is obsolete (but nevertheless still widespread).

Best of all, in precisely those areas where petrol cars' consumption is at its worst, and emissions of exhaust pollutants most concentrated – in congested urban areas – the diesel is at its most effective. Petrol cars scraping 25 miles per gallon around town have diesel equivalents travelling half as far again in such conditions, while in terms of exhaust emissions the diesel is cleaner than even catalyst-equipped petrol cars.

To manufacturers' disappointment, the Gulf war and the sight of all those burning oil wells did not give diesel vehicles a fierce kick-start. But judging by a rise in UK sales throughout the post-Gulf war period, awareness that the diesel has a lot going for it seems to be taking root.

Joe Gormezano, partner with consultants Knibb Gormezano, which recently completed a substantial study of the European industry and prospects, suggests that the revival now being witnessed will continue to strengthen.

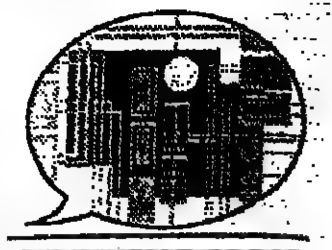
The study concludes that it will based mainly upon:

- Increasing concern about exhaust emissions from petrol engines.
- EC legislation aimed at harmonising fuel prices.
- Technical advances which are rapidly increasing its acceptability to consumers previously deterred by lack of performance.

Starting in October, all new petrol-engined cars in the EC will have to be fitted with catalytic converters. This will encourage more diesel sales, particularly in the small car sector, predicts Gormezano, because "the introduction of three-way catalysts will have a proportionately greater adverse effect on the cost of small petrol-powered cars. It will also adversely affect the fuel economy of petrol-engined cars in general".

Perhaps most significantly, the diesel is also seen as the main beneficiary of the harmonisation of fuel prices within the EC single market. Under the latest EC proposals for the taxation of vehicle fuels from 1993, leaded fuel would be subject to a recommended minimum tax of Ecu.49 (28p) per litre, compared with Ecu.44 for unleaded and only Ecu.27 for diesel.

In the end, however, the future fate of diesel cars will depend on the extent of the research effort which continues to be applied to it. On that basis, things looks ever brighter. Germany, the EC's motor industry power house, is making intensive efforts to develop new generations of more powerful, quieter and "smokeless" diesels.



TECHNICALLY SPEAKING

ARTS

Sympathies with the Soviet

William Packer reviews the current exhibition at MOMA, Oxford

For the Museum of Modern Art at Oxford to call its latest exhibition, *Engineers of the Human Soul*, is to pitch it a shade too strong. It may catch the eye, but it can hardly be held to signal a unique and isolated phenomenon. What, after all, do we imagine religious art, or any official or publicly commissioned art, was trying to do in every age? This does not make this exhibition any the less interesting or worthwhile: only the more particular.

The subtitle, "Soviet Socialist Realist Painting 1930-1970", supplies the particular gloss. Here are characteristic examples of the art that was officially acceptable in the Soviet Union, from the time that Josef Stalin first imposed his dreadful rule, continuing on through the comparative thaw in official attitudes in the years following his death, and so on into the early years of Brezhnev's regime.

But even so, what we have is not altogether what we might have expected. There are indeed some odd and awful things, dire enough to fuel any prejudice: the usual hagiographies of Lenin and Stalin; the workers in field and factory happy in the service of the workers' state; the image of parenthood as public duty; and the lovers who stride out so confident into the socialist future. Most sinister of all we have Grigori Shegal's "Leader, Teacher, Friend" of 1937, a modestly smiling Stalin slipping quietly onto the podium behind the speaker, at the very time of the show trials and the greatest terror.

But even here we must be careful to distinguish between the form and the content, and face the awkward truth that the most dreadful lies and blackest politics may be propagated rather well. Some of the works are frankly bad, "They are writing about us in Pravda", as it were picnic-time on the collective farm, is as crude and mawkish in execution as in sentiment. If mockery is what one enjoys, there is plenty to mock. The truth is, however, that even that sinister Stalin is done – within its terms – with creditably competent panache. Vruir Mosesov's somewhat later and larger composition of Stalin leading a demonstration in 1912 (1949) is technically as sound a history painting as we might have had from any Salon or Academy of the 19th century. Intense and alien though her actual commitment may seem to us, Vyacheslav Mariupolski's "Young Leader of the Pioneers" (1949), reading out her lecture with all the seriousness of youth, is as well observed, well executed and touching an image of a girl as any from more politically acceptable a hand, as though Millais had lived on to paint a Girl Guide in her best uniform.

It is not quite that it is old-fashioned, but there attaches to so much of the work a decided flavour of the past, yet still active and vigorous. This is especially true of the greater portion of the work that is political, that is to say socialist, only in the broadest sense. Much of the work on show dates, in any case, from the 1950s and the milder, post-Stalinist cultural climate. None of these artists were dissident: all accepted the constraints imposed through their union, most of them never knowing any other dispensation. No matter that they had no choice: the fact is that, cut off from the later developments of modernism, they remained active within the broader encompassing realism of the western tradition, extending through a generalised post-impressionism to incipient expressionism.

So it is that with "Pushkin meeting Kyukhelbeker" by Aleksei Merzlyakov (1957), we have something neither more nor less histrionic than, shall we say, Lady Butler's Crimean "Roll Call", or any other romantic Victorian reworking of history. "The Gingerbread Arcade" by Vladimir Stozharov (1956) carries no historic nor political charge at all, but is simply a painting of a provincial market-place in muddy mid-winter that we might take as easily as by one of the masters of the Hague School, or a Scottish social realist of the 1870s and '80s.

Mai Dantsig's girl hanging out the washing in the sun (1965) and Aleksei and Sergei Tkachev's "Postgirl" (1951) are vigorous and engaging examples of academic post-impressionism. Eduard Bragoviski's woman by the river, "Logging on the Vetluga" (1964), she foursquare in her scarlet coat against the red landscape, is far more honest and straight-forward a composition than anything of our western neo-expressionism of the 1980s. (It is just such stuff, straight-forward, well-crafted, variously academic in the best sense and for the most part quietly apolitical, that Roy Miles has been bringing onto the London market at his Bruton Street Gallery, and his latest show is no exception.)

But even were it to be overtly political, there is not necessarily a problem. Our luck has been that no significant art came out of Nazi Germany, and it has too-long been fashionable to laugh socialist realism out of court, similarly high-minded and utopian propaganda as it is. The virtue of this serious and fascinating loan exhibition at Oxford (30 Pembroke Street, until March 15: supported by Visiting Arts and what was the Artists' Union of the Soviet Union) is that it makes us address ourselves to a central feature of our own art in the 20th century.

What, really, is the difference in principle between Ekaterina Zernova's "Tank-driver Kuznetsov" (1933) and a portrait by Eric Kennington of a British Airman of the Second World War: what between the furnaces of the Stalin Factory by Mikhail Kostin (1949) and Stanley Spencer's paintings of the war-time ship-builders on the Clyde, or Laura Knight's "Ruby Loftus screwing a breech-ring"? Can it be that what is bare-faced propaganda to one side is no more than cheer and encouragement to the other in difficult times? The moral dilemma remains, but it is only fair to admit as much when it is well done.

'A Sunny Day': a girl hanging out the washing in the sun by Mai Dantsig; 1965

A choreographer of human emotions

Antony Tudor was one of the most significant choreographers of our century. He gave ballet its first clear awareness of psychology, showing how it might probe personality, and expose the essence of character. His reputation rests upon a handful of works created in the decade 1936-1945; with *Jardin aux lilas*, *Dark Elegies*, *Pillar of Fire*, a one-act *Romeo and Juliet* and *Undertow*, his place in dance history is secure. In these ballets Tudor explored human feeling through movement of extreme precision. The anguish in *Jardin*, the exquisite sweep of *Romeo*, the sexual urgency in *Pillar of Fire*, are as potent today as when they were first seen, and *Dark Elegies*, made in 1937 as a realisation of Mahler's *Kindertotenlieder* must still pierce an audience's heart while our civilisation sacrifices children to war and natural disaster.

SHADOWPLAY
by Donna Perlmutter
Viking £17.99, 420 pages

For a man so compassionate in his creations, Tudor was notoriously prickly, difficult in his relationships with dancers and collaborators. His affections were tenacious, but his tongue could be ungenerous in dealing with the often insecure psyches of dancers. Telling them the truth – *his* truth – for their own good did not so much brace them as appear a bitter response to a need for help.

Tudor's life must seem in many aspects that of a disappointed man. A self-created figure, he was transformed from William Cook, son of a butcher in Central Street, London EC1 and destined for the meat trade, into Antony Tudor, apprentice dancer at Marie Rambert's studio in 1928, and thence, thanks to Rambert's goadings and encouragement, into a choreographer of profound originality. There may have been difficulties in making his work known – it was hardly in keeping with an audience taste nurtured on Ballets Russes glamour or Vic-Wells classicism – but Tudor had devoted associates, notably the elegant, expressive Maude Lloyd, Peggy van Praagh; and the dancer Hugh Laing, who was his companion for more than 50 years. By the mid 1930s Tudor was making great things.

In 1939 Tudor and Laing went to the US to join the newly-founded Ballet Theatre. For this company Tudor produced masterpieces – Nora Kaye his muse for *Pillar of Fire*, and Alicia Markova an exquisite Juliet in *Romeo*, with Laing a crucial figure in these, as in *Undertow*, which explored a murderer's psyche.

Then the well-spring of inspiration seemed to dry. Brief sorties to New York City Ballet and to Sweden were neither fruitful nor happy. Ballets failed, and by the 1950s Tudor devoted himself increasingly to teaching in New York. Zen Buddhism seemed to bring further discipline to an already austere temperament, but there came an upsurge of creativity when Tudor returned to England for two visits to work with the Royal Ballet. He staged *Shadowplay* for Anthony Dowell at Covent Garden in 1967, and in the following year made *Knight Errant* for David Wall with the Royal Ballet's touring section. Two last works were made in 1975 and 1978 for American Ballet Theatre. Tudor died in 1987 at the age of 79, and a year later Laing, too, died.

Antony Tudor: he merits a serious biography

Such a man, and such a career, merits serious and searching biography, and now that need is the more urgent in the light of Donna Perlmutter's nugatory life of Antony Tudor. It is difficult to know how to qualify this vulgarly written exercise save as one of those books that demand to be thrown across the room in fury at their stupefying awfulness. I gather from the dust-jacket that Miss Perlmutter is a Los Angeles journalist. Her prose style contrives to be arch, strident, and given to a fearful sprightliness, as if afraid that readers might not otherwise reach the end of a sentence. That Miss Perlmutter has a taste for neologisms – "policy-meisters", "spitework", "dancewright", Tudor the "interiorscape" and "characterological" are a few choice specimens – is an incidental deterrent to her text. That she has subjected Tudor's work and his relationships to reach-me-down psycho-analysis is an abiding annoyance.

As page succeeded hectic page, I gained an impression that Miss Perlmutter has failed to understand the nature of Tudor's ballets, or has much familiarity with the fabric of dance history. She believes that Tudor "plucked" Anthony Dowell "from the corps de ballet" for *Shadowplay*, ignorant of the fact that he was already a principal of the Royal Ballet. And to aver that Tudor cast the ballet with "sensitive nobodies" may intrigue Dowell, Merle Park and Derek Rencher, the eminent and well-established principals of the first performance. She believes that Markova was a guest artist with Ballet Theatre at the time of the creation of *Romeo*. Dame Alicia's memoirs provide a different and more reliable account of the staging of a very beautiful ballet.

Miss Perlmutter's view is that biography is means of rehashing in lurid terms the stormier scenes of her subject's life. In the process, Tudor's art and genius are cheapened. Miss Perlmutter fails in matter of research by glossing over his Swedish visits, and certain other foreign journeyings, and fails even more significantly in her assessments of his creations. She prefers, instead, gossip and amateurish analysis, and the resultant portrait is as foolishly hectic as any back-stage chatter.

Clement Crisp

Alban Berg

BARBICAN HALL/RADIO 3

As the BBC's mini-festival of Berg, "An Affair with Numbers", ended on Sunday evening, a great many listeners must have felt they had a new familiarity with the contours and secrets of his style. Hearing virtually all of Berg's music in one weekend brought home how often he re-deployed elements which had a special significance for him – certain phrases, patterns, cadences – over 30 years' worth of composing. While his musical forms grew ever more ingenious and intricate, those expressive fingerprints constantly recurred; they are vital clues to the sense of each new piece.

His Lyric Suite (1927) for string quartet is full of them, both backward- and forward-looking. A few years ago, George Perle's brilliant detective work established that it is also crammed with coded references to Berg's secret love affair with Franz Werfel's sister; and that the code is partly numerological, and that even the musical proportions of whole movements are aligned to it.

Hence, obviously, the title chosen for the BBC series – though it might mislead. Berg didn't *generate* his music from numbers (as some dull Darmstadt epigones did later) but from his own feeling-laden idiom, within his ever more obsessively calculated ground-plans, as these successive concerts made crystal clear.

The Lindsay Quartet's account of the Lyric Suite crowned the afternoon concert, with an awkward skew. Perle's decoding of the work has shown that Berg's finale conceals an impassioned song-setting (of Baudelaire), a secret between him and his inamorata. Of course it is irresistible to try it out, now, with the words actually sung; but as broadcast, at least, Sarah Walker's fervent, full-cry entry amid the strings sounded wildly out of scale and unintegrated. Most of the Lindsay's playing earlier had been up to their best standard, creatively alert and dramatic, and their account of Berg's precocious, inspired op. 3 quartet (1910) teemed with sharp insights.

In his piano sonata, in this same programme, Peter Donohoe matched their incisive attack and drew a high profile of Berg's moody, restless extremes. The evening concert by the BBC Symphony brought Donohoe back to join György Pauk in the Chamber Concerto for piano, violin and 13 winds, which used to sound forbidding but has somehow become "accessible". Excellent performance, proportions confidently fixed by the conductor Andrew Davis; the stamp of authentic character in Pauk's playing, however, was the outstanding feature.

That was what one missed in *Der Wein*, the soprano cantata that Berg wrote to a commission while he was already at work on *Lulu*. Though Judith Howarth delivered it with careful attention and attractive tone, no great conviction about what the music means was transmitted. The result was civilised but mild, where this piece can – on a rare occasion – take on a rapt, silvery intensity. As in the Violin Concerto on Saturday, the BBC violins fell a degree short of the exacerbated radiance Berg wants from them in the upper regions.

Nor did the performance of the three Lyric Suite movements he arranged for orchestral strings rise much above sensitive sincerity, in contrast to the Lindsay's searing attack on the original version. (It was unwise to employ all eight of the BBC double basses: sometimes the music sounded bottom-heavy and sluggish, which the quartet-score never does. Oozy, yes; but not sluggish.) With the *Lulu* Suite, however, Davis, the orchestra and Miss Howarth excelled themselves.

The soprano sailed into Lulu's high-flying "Lied" like someone with keen ideas about what it has to say, and with the tone and technique to make seductive sense of Berg's fearsomely difficult roulades. In other movements, the BBC strings opened up at last; the aching beauty of Berg's most inconsolable paragraphs must have penetrated all but the dullest ears. The alto saxophone – a sexy major role here – was faultless.

Davis has distinguished himself in this festival, even when his meticulous tenderness with the music has stifled a little of its energy. It was satisfying to hear his lively operatic instincts energised by this *Lulu* music at the close. The sinews of the musical action were taut and resilient, the dramatic range imposing, Berg's subversively lovely surfaces polished softly until they glowed with their own light. When Davis conducts *Lulu* in the opera-house, I should go to a lot of trouble to hear it.

David Murray

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

BERLIN

Schauspielhaus 20.00 Jia Lu conducts the Orchestra of the Deutsche Oper in Beethoven's Third Symphony and Dvorak's Cello Concerto, with Boris Pergamenshikov. Tomorrow: Concentus Hungaricus plays orchestral music by Bartok and Leo Weiner (East Berlin 2272 261)
Staatsoper unter den Linden 19.00 Die Zauberflöte. Tomorrow: Madama Butterfly (East Berlin 2004 762)

BONN

Schumannhaus 20.00 Clara Wieck Trio plays piano trios by Mozart, Shostakovich and Clara Wieck-Schumann. Thurs in the Beethovenhalle: Dennis Russell Davies conducts Shostakovich's Eighth Symphony (773666)
Oper 20.00 Dennis Russell Davies conducts Jean-Claude Riber's production of Die Zauberflöte, also Sat and next Tues. Sun: Orfeo ed Euridice (773667)

BRUSSELS

Palais des Beaux Arts 20.00 Ronald Zollman conducts the Belgian National Orchestra in an all-Mozart programme, with Dana Protopopescu soloist in the Piano Concerto No 9 and Walter Boeyskens in the Clarinet Concerto. Sun: Alexander Rahbari conducts the Belgian Radio Orchestra in music by Schumann, Brahms and Meulemans (507 8200)

COLOGNE

CONCERTS
Tonight's programme of piano trios in the Philharmonie is played by Mark Kaplan, Colin Carr and David Golub. Karl Engel plays Beethoven's Fourth Piano Concerto in tomorrow's concert by the Rhine Chamber Orchestra. George Cleve conducts the New Stockholm Chamber Orchestra on Thurs in music by Vaughan Williams, Mozart, Beethoven and Arvo Pärt. On Fri and Sat, Hans Vonk conducts the Cologne Radio Symphony Orchestra in Ravel's Valses nobles et sentimentales and Schumann's Fourth Symphony, with Ivry Gitlis soloist in Berg's Violin Concerto. Also two orchestral concerts on Sun (2801)
OPERA/BALLET
Tonight's performance of La fille mal gardée at the Opernhaus is given by the Ballet of the Deutsche Oper am Rhein. Tomorrow and Fri: Lothar Zagrosek conducts Janacek's From the House of the Dead. Sat: Hans Wallat conducts *Götterdämmerung. Sun:* Offenbach's Barbe-bleue (221 8400)
THEATRE
The repertory at the Schauspielhaus includes Schiller's The Robbers (tonight and Fri) and Günter Krämer's new production of Strindberg's Totentanz (Sat). The Kammerspiele has Maxim Gorki's Vassa Sheleznova on Sat and Sun (221 8400)

FRANKFURT

Alte Oper 20.00 Klaus Maria Brandauer reads poems, letters and tales by Schnitzler, Peter Altenberg and Friedrich Torberg, plus extracts from his new book. Tomorrow: Irish folk evening with Christy Moore. *Sun:* Rhineland-Pfalz State Philharmonic Orchestra (1340 400)

GENOA

Teatro Carlo Felice 20.30 Roberto Abbado conducts John Copley's production of La bohème, with a cast including Mirella Freni and *Nicolai Ghiaurov. Runs till Feb* 2, with next performances on Thurs, Fri and Sun (589329)

HAMBURG

Staatsoper 19.00 John Neumeier's production of Sleeping Beauty, also tomorrow and Thurs. Fri, Sat and Sun: Neumeier's ballet Fenster zu Mozart, with music by Mozart, Beethoven, Reger, Schnittke and Schweinitz (351721)
Deutsches Schauspielhaus 19.30 Brian Friel's play Dancing at Lughnasa, in a German-language production directed by Michael Bogdanov, also Sat. Sun: The Cherry Orchard (248713)

LONDON

Covent Garden 19.00 Carlo Rizzi conducts Johannes Schaaf's production of Cosi fan tutte, also Fri. Tomorrow and Thurs: La fille mal gardée. Sat: Giselle (071-240 1066)
Royal Festival Hall 19.30 Kurt Sanderling conducts the Philharmonia Orchestra in Dvorak's Cello Concerto (soloist Yo-Yo Ma) and Rakhmaninov's Third Symphony. Tomorrow: Philip Glass solo concert. Thurs: Sanderling conducts Mahler's Ninth. Fri: Ashkenazy conducts the RPO. Sat: Franz Welser-Most conducts Bach's St Matthew Passion. Sun: Alicia *de Larrocha (071-928 8800)*
Barbican 19.45 Maria Joao Pires plays Mozart's Piano Concerto No 23 and Hakan Hardenberger plays Hummel's Trumpet Concerto with the English Chamber Orchestra. Fri and Sun: Michael Tilson Thomas conducts the New World Symphony Orchestra in music by American composers (071-638 8891)

MADRID

Teatro Lirico La Zarzuela 20.00 Opening night of the Madrid opera season: Antoni Ros Marba conducts the world stage premiere of Roberto Gerhard's The Duenna (1947), directed by Jose Carlos *Plaza. Further performances on* Thurs, Sat and next Mon and Thurs (429 8225)

MILAN

Teatro alla Scala 20.00 Bruno Campanella conducts Jerome Savary's production of Fra Diavolo. Runs till Feb 9, with next performance on Fri. The casts include Giuseppe Sabbatini, Luigi Canonici, Luciana Serra and Sumi Jo (7200 3744)

MUNICH

Philharmonie 20.00 James Levine conducts the Vienna Philharmonic Orchestra in Stravinsky's Petrushka (1947) and Brahms' Fourth Symphony (983898 from 13.00 till 17.00).

Thurs and Fri: Zubin Mehta conducts the Bavarian Radio Symphony Orchestra in Sibelius' Violin Concerto (soloist Midori) and Strauss' Alpine Symphony (558080). Sun: all-Mozart *programme with the Munich Bach* Collegium (48098 614)
Staatsoper 19.30 Tchaikovsky's The Maid of Orleans. Tomorrow and Sun: Prokofiev's The Love for Three Oranges. Fri: Die Zauberflöte. Sat: Nutcracker (221316)
Cuvillies-Theater 20.00 Members of the Bavarian State Orchestra play chamber music by Beethoven, Ibert, Mozart and Auric (221316). Thurs in Herkulessaal der Residenz: Sherrill Milnes Lieder recital (299901)
Gärtnerplatztheater 19.30 Fiddler on the Roof. Tomorrow: Cosi fan tutte. Thurs: Boccaccio. Fri: Don Giovanni. Sat: Bartered Bride. Sun: Hansel and Gretel (201 6767)

NEW YORK

Avery Fisher Hall 19.30 Leonard Slatkin conducts the New York Philharmonic Orchestra in Claude Baker's Shadows, Mozart's Piano Concerto No 25 (soloist Christian Zacharias) and Dvorak's Sixth Symphony. Thurs, Fri and Sat: Charles Dutoit conducts Debussy, Falla and Szymanowski (875 5030)
Metropolitan Opera 20.00 Marcello Panni conducts L'elisir d'amore with Kathleen Battle, Luciano Pavarotti, Juan Pons and Paul Plishka. Tomorrow: Don Giovanni (362 6000)
New York State Theater 20.00 City Ballet in three Balanchine choreographies and Jerome Robbins' Concertino. Tomorrow: all-Robbins evening (870 5570)

WASHINGTON

Washington Opera The *repertory* consists of Handel's Agrippina, conducted by Stephen Lord and *staged by Michael Hampe with* Brenda Harris in the title role (tomorrow and Sat). Les Contes d'Hoffmann with Michael Myers in the title role (Thurs) and Savage Land by the Chinese composer Jin Xiang (Fri and Sun) with an all-Chinese cast (416 7800)
Kennedy Center Concert Hall Tonight at 19.00, James Conlon conducts the National Symphony Orchestra and Oratorio Society of Washington in Mahler's Second Symphony. Thurs, Fri, Sat and next Tues: Mstislav Rostropovich conducts Beethoven and Artyomov (416 4600)
Terrace Theater Tomorrow, Thurs and Fri: Parsons Dance Company. Since leaving the Paul Taylor *Dance Company in 1987*, David Parsons has had considerable success with his own troupe (416 4600)
Source Theater The Talented Tenth: Richard Wesley's play, directed by Jennifer Nelson, is a revealing portrayal of the moral conflicts facing successful African Americans in the 1990s. Wed to *Sun, till Feb 8 (462 1073)*
Studio Theater An American Plan: Richard Greenberg's thought-provoking new play set in the Catskills in 1959 and New York in 1969.

Directed by Rod Barron. Runs till Feb 9 (332 3300)

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(all times CET)

MONDAY TO FRIDAY

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - global business report with James Ballini
2130-2200 (Thurs) Talking Heads - International Issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 *Moneyweek*
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
1800-1830 World Business This Week

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Continental hostile bids

THE CONTESTED cross-border takeover bid has arrived in continental Europe; as witness yesterday's attempt by Nestlé and Suez to carry off Perrier in the teeth of Agnelli family rivalry. It is not the first such attempt: the contest between Suez and Mr Carlo De Benedetti at the height of the 1980s takeover boom for control of Société Générale de Belgique probably has that honour. But continental companies must now treat the possibility of unwelcome overtures as a fact of life.

These may not be officially described as hostile takeover bids; they may be attempts to coerce the victim into an ostensibly "friendly" merger, as in Pirelli's pass at the Continental tyre group and Krupp's moves on Hoesch. However described, they indicate that a new process of corporate control is at work.

It would be wrong to see this mainly as a triumph of the practices of the UK and the US. Instead, it is more accurate to see the emerging way of business as combining Anglo-Saxon opportunism with the complex capital structures, relaxed regulation, and intimate relationships traditional in continental economies.

On the face of it, this new mix looks more "modern" than the old, more in tune with the doctrine of economic liberalism encouraged by the European Community's single market programme. As such, there are aspects of the new approach that deserve a whole-hearted welcome; but there are also dangers in attempting to combine takeover habits derived from one industrial culture with the structures and attitudes inherited from another.

Equitable treatment

One good thing about the new era of contested takeovers is a greater attention paid to equitable treatment of shareholders. France's takeover rules, introduced two years ago, have made the Agnellis' attempt to control Perrier a more visible, less effortless one; they may yet lead to a transaction that treats all Perrier's shareholders equally, something that would previously have been regarded as a laughable Anglo-Saxon eccentricity. There is further to go in this direction, and many markets lag behind. But in France at least, the first, vital steps have been taken.

The new era also brings market discipline to bear on companies that have previously proved impervious – because of size or significance – to the traditional bank or government systems of corporate control. Société Générale de Belgique is reforming itself more briskly under Suez's guidance than it ever would if left to its own devices – even if Mr De Benedetti might have proved a yet more exacting task-master.

Existing powers

So much for the benefits of the new approach. The dangers stem from the fact that though finance ministers and bourse authorities increasingly speak the language of economic liberalism, other participants – rival ministers, top bankers, captains of industry – often wish to preserve the dominance of the existing powers, including, in some countries, the state. The risk is that the new, more open takeover mechanisms may simply become a tool to defend the privileged position of the banks in Germany, the state in France, or the politician-family nexus in Italy.

Thus, Continental's defence against Pirelli combined the trappings of an Anglo-Saxon takeover battle with old-fashioned appeals to the loyalty of German industry. Krupp is trying to take over Hoesch at least in part because it fears that otherwise British Steel might gain a foothold in the German market. French state-owned banks and insurance companies are taking ever-wider stakes in private industry, and play the takeover game as avidly as their private-sector rivals.

Unfriendly bids must therefore be judged not just by the nature of the battle, but by the extent to which they avoid all types of abusive behaviour, whether towards shareholders, competitors or consumers. More open contests for corporate control require that equitable takeover rules go hand in hand with strong European and national competition policy. The Perrier case provides an opportunity to demonstrate both.

The way ahead for Poland

TWO YEARS ago Poland summoned up the collective will to make the leap across the chasm from a state-controlled economy into the free market. It did so with a lot of external good will, advice, and practical help. Yet today the faltering progress Poland has made stands as both an example and a warning for those emerging nations to its east about to undertake the same great adventure.

Even before the fall of communist regimes throughout the region, individual Poles travelled the length and breadth of the Soviet empire trading and building. The entrepreneurial culture was not as enfeebled as in, for example, Czechoslovakia. This individualistic spirit, linked to the continuing existence of private farming, made it possible for Poles to fill their food shops within weeks of embarking on the economic stabilisation plan in January two years ago. That same spirit enabled the remarkably quick privatisation of the retail and wholesale system and service sectors, such as trucking and construction, which are now largely in private hands.

What is proving far more difficult is the privatisation and restructuring of the real socialist legacy – the thousands of monopoly enterprises tied in to old technology, but often providing sustenance to entire communities. The hoped-for supply side response to market price stimuli has not worked under these circumstances. The problem was made far more acute by the collapse of the old Comecon, and especially Soviet, market, which many of these factories were specifically created to serve.

Bad debts

In order to free up resources, many of these enterprises need to be closed. Instead, they have gone on accumulating losses which have been financed by collusion with other enterprises in a similar position. But the growing bad debts of these bankrupt enterprises have deprived the government of its main source of income and made it impossible to contain the public sector deficit.

This is serious, not least because the willingness of foreign governments to write off 50 per cent of Poland's $33bn official debt and the disbursement of investment funds from the IMF and World Bank are linked to a set of performance criteria which Poland has simply not been able to meet.

Fragile base

At the same time, the political unity which was Poland's strength two years ago has gone. The country's first free democratic elections last October were fought under an electoral law which resulted, predictably, in a parliament with 29 political parties. This has proved a fragile base upon which to build a workable government coalition. Mr Jan Olszewski, a man of impeccable democratic credentials, whom President Walesa himself wanted as prime minister a year ago, managed to secure sufficient support in parliament to form a new government. But he has been undermined by a president whose own political ambitions sit uncomfortably with Poland's attempt to create a parliamentary democracy.

This is gravely to Poland's disadvantage. Looking further afield, those countries which in recent years have successfully reformed economies badly distorted by statist policies, such as Mexico, Chile and Turkey, have done so under relatively authoritarian political regimes. This Poland does not need. What is required is the best democratic alternative: a government with broad-based support prepared to persist with the unpopular decisions that must be taken if the sacrifices made thus far are to bear fruit.

Last week, the World Bank indicated its continuing support for the transformation of Poland's economy. There is, in any case, little alternative but to carry on with the tasks of stabilisation and privatisation, both of which have been slowed by recent politicking. The rapid development of a dynamic private sector, most of it either export-oriented or service-providing, is the only way for Poland and the other former communist states to provide alternative employment. It is foolish to expect governments to be purist in their devotion to economic adjustment. None the less, they must keep in sight this ultimate economic goal.

Robert Graham examines the difficulties facing the three best known Italian companies: Fiat, Pirelli and Olivetti

Leaders that have lost their way

The flag bearers of Italian industry are in trouble. Fiat, Olivetti and Pirelli, the three best known Italian companies abroad, have ushered in the new year with a chorus of grim business tidings.

Sales are falling or at best stagnant, and profits have lost all the shine they displayed during the 1980s boom. In the latest FT 500 ranking of European companies, published last week, Fiat slipped from 15th place last year to 53rd, Olivetti from 178th to 375th and Pirelli Spa from 257th to 362nd.

The plight of these three companies epitomises the problems facing Italian industry as a whole. A recession-hit domestic economy and fierce international competition have exposed the country's high labour and financing costs. And unlike in the past, the government is not in a position to bail its companies out. Numerous key industries now face their biggest restructuring since the mid-1970s – well after their European rivals in such sectors as defence, petrochemicals, ship-building, steel and textiles.

"This is now the third year that Italian industry has suffered a loss of competitiveness due to high fixed costs and labour rigidities," says Mr Innocencio Cippoleta, managing director of Confindustria, the Italian industrialists' confederation. "We are preparing ourselves for large-scale redundancies," says Mr Ottaviano del Turco, assistant-secretary general of CGIL, the largest union federation.

Undoubtedly, Fiat, Olivetti and Pirelli are victims of wider circumstances. They, like many other Italian companies, are also paying the price for failing to invest in new products during the late 1980s; for failing to strike up suitable international alliances as many companies of comparable size elsewhere in Europe have done; and for failing to react swiftly enough to the economic downturn.

Yet there are other reasons why this is a critical moment for all three, and they have to do with their top management. Fiat and Pirelli are under increasing pressure to resolve the issue of generational changes in management and in particular the question of what role their "ruling" families – the Agnellis and Pirellis – should play.

At Fiat, Mr Giovanni Agnelli, chairman, is 70, and has designated as heir his younger brother Umberto, aged 57. But the Agnelli family seems increasingly absorbed by its private entrepreneurial activities outside the car sector and outside Italy, highlighted by the spate of recent acquisitions and strategic alliances in France, notably in food and drinks.

At Pirelli, Mr Leopoldo Pirelli, grandson of the founder, is 66 and is considered unlikely to hold the reins much longer following the acrimonious collapse of the company's bid for Continental, the German tyremaker, last November. Mr Pirelli will almost certainly step down after a decent interval. At the same time, the family is having to dig into its own pockets to recapitalise the company.

Management changes are also in the air at Olivetti, where first half losses last year of L73.7bn (£34.4m) prompted the return to direct control in November of Mr Carlo De Benedetti, the 57-year-old owner/entrepreneur who controls 42 per cent of Olivetti stock. Originally brought in from Fiat to rescue Olivetti in 1978, Mr De Benedetti, a skilled financial engineer, now faces the far tougher task of proving that he is also an industrial strategist.

Such difficulties have prompted some Italian commentators to call into question the future of Italy's unique system of corporate ownership and control. "Within 20 years the system of family capitalism will be considered industrial archaeology," says Mr Beniamino Andreatta, a former treasury minister. "In Italy this system has lasted longer than it should."

That may be an exaggeration. Some companies that grew up under family control are faring well: for example Benetton, the clothing manufacturer, is still run by its active founders; Zanussi, the white goods maker, which has been absorbed by the Swedish multinational Electrolux; and Ferruzzi-Montedison, which has trimmed its ambitions after it failed to take control of the petrochemicals joint venture Enimont 14 months ago.

Even so, prominent economists such as Prof Franco Reviglio, a former finance minister, say Italian companies are two and three years behind their international competitors in reacting to the changing world business climate. Unlike its main European partners, Italy has few large industrial groups, a limited number of medium-sized industrial ones and a myriad of small companies, particularly in the north. Less than 20 per cent of all Italian companies employ more than 500 people, compared to 52 per cent in Germany and 47 per cent in the UK.

The largest companies have a bigger impact on the Italian economy than even these figures suggest because of the broad range of their interests. Above all comes Fiat, the bellwether of the private sector. While car manufacturing generates more than 80 per cent of turnover, the group's diversified activities – taking in aerospace, civil engineering, defence, financial services, leisure, metallurgy and publishing – account for 4 per cent of Italy's gross domestic product, 10 per cent of total spending on research and development and 32 per cent of private R and D spending.

Yet the company's core business is under siege. Last year Fiat sold 147,000 fewer cars at home than in 1990 while foreign competitors sold 139,000 more. The Turin-based group's share of the Italian market, generating two thirds of sales, has fallen by 15 percentage points to 45 per cent in less than five years.

For much of last year, a third of Fiat's 300,000 workforce was temporarily laid off or on short time; another round of large lay-offs is due at the end of this month. Financial results for 1991, to be published at the end of the month, are likely to be disappointing: first half profits were almost halved and in September, Mr Agnelli forecast a difficult 1992.

Fiat's problems relate fundamentally to its car and components business where it has traditionally relied on a strong local market. A compliant government has also provided tax incentives for consumers to buy the small cars on which the group has concentrated. Yet too many of Fiat's models are considered technically less sophisticated than foreign competition. For example, Fiat is some two years behind its main competitors in introducing catalytic converters for exhaust emissions.

Fiat executives are at pains to emphasis their commitment to car production; L40,000bn, they point out, has been pledged in investment over the next decade. This includes a government-funded greenfield plant at Melfi in southern Italy, firm investments in Poland and Algeria and a proposed project in Russia.

However, these latter investments are politically risky to say the least. Fiat's plans also do not, in the eyes of many observers, take sufficient account of the biggest challenge facing the European car industry: the increasingly powerful presence of Japanese manufacturers. Scarcely a week goes by without some rumour of a Fiat tie-up with the Japanese. But it is doubtful such an alliance would prove politically acceptable.

A strategic alliance with the Japanese – following the example of Fujitsu's link up with British computer maker ICL – is one option for Mr De Benedetti as he considers how best to reverse the slump in Olivetti's fortunes. But this, too, would provoke a political storm in Rome and Brussels – Olivetti is one of Italy's three largest industrial groups in terms of market capitalisation and the fourth largest information technology (IT) group in Europe.

Olivetti's computers and office equipment business has been badly hit by the worldwide saturation in this market. First half losses in 1991 totalled L73.7bn with the prospect of full-year losses of about L200bn. Industry analysts say Olivetti is paying the price for not investing enough in R & D and for failing to develop the software end of its business.

Mr De Benedetti is searching for a partner to help him complement the company's traditional strengths in computer hardware by developing a software business, but so far without success. Last autumn IRI, the Italian state holding company, rejected his offer of a merger of Olivetti's software interests and Finsiel, IRI's software and IT arm.

The choice facing Olivetti is clear: it can either form a strategic alliance in which it would almost certainly be the junior partner – talks are now being held with France's Cap Gemini, the French IT group – or it must accept that to stay independent, it needs to operate on a reduced scale.

Last year Olivetti cut its worldwide workforce by more than 6,000 to 47,000; management told unions this month that it wants to cut another 2,500 jobs on top of the 3,000 cut last year in Italy as operations are slimmed down or transferred to cheaper production sites in Mexico and Singapore, where costs are one tenth those in Italy. Last week unions at Olivetti began a series of stoppages, underlining the fact that forcing redundancies is more costly and complex in Italy than elsewhere in Europe.

As for Pirelli, the family-run cables and tyre business and one of the most revered names in Italian industry, it is licking its wounds after its long-running bid to take over German tyre maker Continental collapsed in November. The bid was badly handled and Pirelli incurred large costs in the process, which – including indemnities to allies – are likely to amount to some L340bn of the group's L670bn forecast losses for the current financial year. One prominent casualty may be Mr Leopoldo Pirelli, the chairman, who is expected to be replaced soon. Pirelli's failed bid ended, temporarily at least, its ambitious plans to create a European rival to France's Michelin, the world's biggest tyre producer.

Adjusting to its reduced circumstances is already proving costly: last week Pirelli announced it would cut 5,000 jobs from its cable and tyre activities and sell off non-core business. "We are going to put on the market all that is not cables and tyres, dozens of companies employing 13,200 and with a turnover of L1,780bn," Mr Pirelli said in December.

The big names of Italian industry have, of course, faced troubled times before. In one important respect, however, this time may be different: the government, burdened by a huge public sector deficit, is talking about privatisation rather than increasing its presence in the economy.

In the past industrialists relied on the state to buy out loss-making operations, provide investment funds and help with redundancy payments. Weak government and lax rules worked in their favour. But with the public sector deficit now totalling 10.6 per cent of GDP, and the government under mounting pressure in the EC to reduce it, the treasury can no longer afford to spend freely – even in this election year. Indeed, for the first time in the post-war period, Italian industrialists find themselves trading accusations of blame with the politicians for the state of the economy and their own plight.

Mr De Benedetti recently gave forth a litany of complaints: he bemoaned the poor quality of Italy's public services; the paltry amount spent by both private and public sectors on R & D – currently 1.3 per cent of GDP, half that of its EC competitors; the faltering growth of Italian exports – up 12 per cent in the last three years when the economies Italy exports to had grown by 23 per cent; and the restricted nature of Italy's capital markets – more limited in scope, he said, than those in Madrid.

So long as Italian industrialists have to contend with the the inefficiencies of the economic system – including woefully inefficient public services – and the complexities of party politics, they will remain at a serious disadvantage to their main international competitors. It is precisely these problems which also deter international investors from forging strategic alliances with the Italians. However, in an election year, a radical shake-up is just what Italian politicians seem most unlikely to deliver.

Flagships of Italian industry

	FIAT 1991*	FIAT 1990	FIAT 1989	Olivetti 1991*	Olivetti 1990	Olivetti 1989	Pirelli Spa 1991*	Pirelli Spa 1990	Pirelli Spa 1989
Turnover (Lire bn)	29,497	57,209	52,019	3,943	9,157	9,037	[illegible]	[illegible]	[illegible]
Pre-tax profits/loss (Lire bn)	1,455	3,120	5,321	-79	125	355	[illegible]	297	515
Employees	294,786	303,238	286,294	47,000	53,679	56,937	[illegible]	68,793	[illegible]

*Interim figures
Source: Company reports

Keeping it in the family

■ Old city hands will find something reassuring about the sight of Joe Barclay taking over from Allan Tritton as Barclays Bank's number one banker in Lombard Street. Running the group's City of London business is not as grand a job as it sounds, but the slot has generally been reserved for a member of the Barclays founding clans.

That said, the family grip on Britain's biggest bank is nowhere near as strong as it once was. True, there is another Barclay running East Anglia, and managing director Andrew Buxton is also well-connected. On the other hand chairman Sir John Quinton is not a member of the family, and it is by no means certain that the next chairman will be a member, especially if the roles of chairman and chief executive are split.

Alan Tritton himself was only 48 when he was appointed to the Barclays main board 17 years ago. Young Joe is two years older and has far to go before he gets a boardroom seat... if ever.

One who went

■ Whatever else he may be remembered for, Northern Ireland secretary Peter Brooke yesterday entered the record books as the first minister for 38 years to announce from the government's front bench in the Commons that he had offered to resign.

The last before him was agriculture minister Sir Thomas Dugdale, later Lord Crathorne, in 1954. But unlike Brooke, who has been persuaded by the Prime Minister to continue in office, Dugdale insisted on going even though the then premier, Winston Churchill, urged him to stay.

His resignation followed the agriculture ministry's failure to honour an undertaking to release land requisitioned in wartime at Crichel Down in Dorset. Dugdale insisted that ministers must accept responsibility for the actions of their departments even when unaware of detailed decisions made without their direct knowledge.

OBSERVER

Ecus nuked

■ Visionary Jacques Attali, president of the European Bank for Reconstruction and Development, is not limiting himself merely to the economic regeneration of eastern Europe. Besides solving the former Soviet Union's debt problems, his latest inspiration would simultaneously reduce the nuclear threat to the world.

According to the first edition of EBRD Watch, a weekly newsletter devoted to monitoring Attali and his bank, he is mooting a debt-for-nuclear-warheads-swap. "I believe my proposal represents a practical way of providing the republics' relief from their debt and providing the West with relief from the potential threat of existing warheads," he says.

Perhaps so. But wouldn't the impact of such debt forgiveness, involving $60bn-$70bn, rather overshadow the effect of the EBRD's own plans to commit "Ecu 1bn or more" through loans and equity investments to eastern Europe this year?

Cadmium wash

■ From Lüneburg Heath to Medicine Hat. The British Army, which will have to give up its main training area in Germany from mid 1994, has secured an "absolutely crucial" guarantee from Canada allowing it to fire guns and drive tanks around the Alberta prairie for the next 15 years.

But the defence ministry was on sticky terrain in trying to persuade the Albertans of its considerate nature.

"The preservation of this area for army training has, as is so often the case with military land, led to it becoming well known as a safe environment for natural plant and animal life to flourish," it said.

That message clearly did not impress residents of the Lüneburg area, who campaigned successfully to save the heath from soil erosion, noise and pollution by cadmium, lead, mercury and oil.

"I wonder what all the people looking for an upturn are doing today"

Malvinas mania

■ Hold on to your fast forward buttons, Brits, and prepare for a surfeit of Falklands war memorabilia – particularly from the BBC. Hard on the heels of Channel 4's kamikaze dive into the history of the Anglo-Argentine war in 1982, comes the promise of no fewer than three different bites at the same cherry by the Beeb.

"War Stories", produced by Peter Grimsdale, is a five-part series largely filmed inside Argentina and looking at the events of 10 years ago from a grunts-eye view. Brian Lapping Associates, in true Lapping-fashion, opts for the Olympian style, digging into Washington's arcane corridors of power. Touch Productions took Simon Weston and two other ex-combatants on a tour through Argentina – where they met some of their erstwhile enemies.

If that weren't enough, TVS (part of the commercial network) is also producing a series called In Time of War.

Observer detects a slight air of one-upmanship among the respective programme-makers, who all make warm remarks about each other's programmes. Lapping is proud of having obtained an interview with former brigadier Lami Dozo, the air force representative of the three-man Argentine junta which launched the invasion.

But no one has yet managed to wring an interview from the tight-lipped and frequently tired and emotional ex-general, Leopoldo Fortunato Galtieri.

Museum piece

■ Reports that Rathbones, a firm of Liverpool financiers, is "borrowing the Bank of England" for its 250th birthday party have raised a few eyebrows in the City.

Was not William Lidderdale, the Bank of England governor who masterminded the rescue of Barings 100 years ago, a Rathbones' partner? Could it be that the current small firm of Rathbones is more privileged than anyone knew?

On closer inspection, however, the event is not quite as grand as it sounds. It is being held in the Bank's museum, which can be hired for £325 per hour plus catering costs – and no, the Governor of the Bank of England will not be gracing the occasion. But at least Peter Baring, chairman of his family firm, will propose a vote of thanks.

No winners in the chip race

Recession and huge excess capacity are hitting Japanese semiconductor manufacturers, write Steven Butler and Robert Thomson

Japanese electronics companies are fast concluding that leading the technology race does not mean winning the commercial race. Having rushed to produce ever more sophisticated semiconductors, the tiny devices at the heart of modern electronics equipment, they have suddenly discovered that the market's appetite for their advanced products is not as healthy as they had anticipated.

Leading companies such as NEC, Toshiba, Hitachi and Fujitsu had presumed that they would now be reaping the financial benefits of their lead in making the memory circuits, or chips, used to store and retrieve information. Instead, they are cutting production targets, reviewing capital investment programmes, and asking themselves if the high price of participating in the memory market is worth the now meagre returns.

In part the troubles of the chip makers reflect the global economic downturn, in particular the weakness of the US economy. The industry is also plagued with massive excess production capacity, which has prompted a sharp fall in semiconductor prices. More fundamentally, chip makers' investment in technology appears to have run ahead of what their customers want to buy.

This is something of a novel experience for the Japanese semiconductor manufacturers. They had long regarded the chip market as special, driven by a so-called "silicon cycle" with a life apart from the real economy. Each new and more powerful generation of memory chip seemed to create its own market as it was embraced by the makers of consumer electronics goods and computer companies to improve the quality and capacity of their products.

For the makers themselves, producing ever more powerful memory chips has long been a potent symbol of technological prowess, even though their basic function, information storage, is relatively simple. For the past two decades, companies have vied to squeeze ever larger amounts of memory on the same small chips, with each new generation rising by a multiple of 4. Before the current 4-megabit, or 4Mbit, generation, mass produced from 1989, came the still popular 1Mbit; the next generation is the 16Mbit, which is expected to begin mass production shortly.

But the market is no longer expanding as expected. In the case of the current generation of semiconductors, potential customers, made wary by recession, are proving slow to begin the process of redesigning their products to incorporate the new technology.

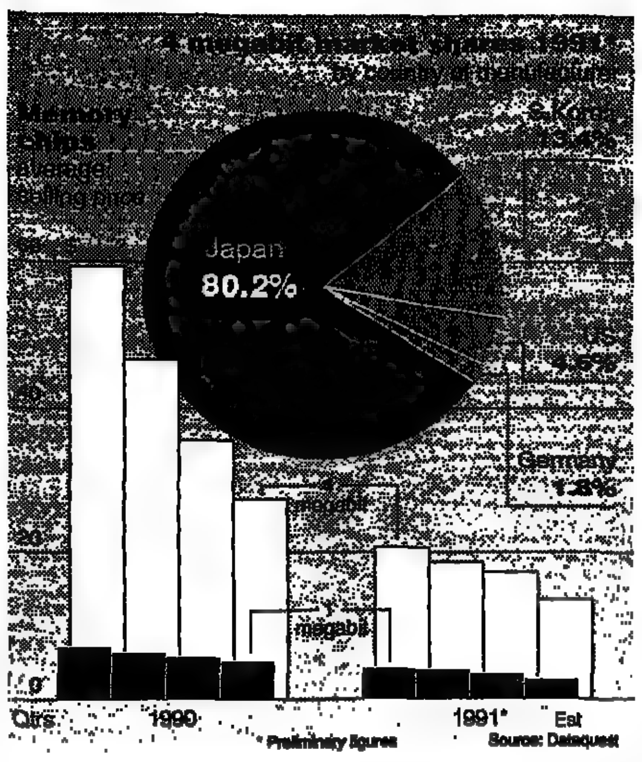
The result is that prices of the 4Mbit chips have fallen by almost 50 per cent over the past year and are still falling. An executive at Fujitsu, the Japanese electronics company, lamented that "nobody will make a profit on this generation" of chips, while a senior executive at Matsushita Electric Industrial said the company is considering whether to commit the estimated Y120bn (£524m) a year needed to stay in the memory chip race.

The question is all the more pressing because most Japanese electronics groups have been confronted by falling profits in other product lines, including video-cassette recorders, computers, and televisions. Consumer electronics sales have been been particularly sluggish on the domestic market over the past year, with the result that companies reported lower profits in the first half of the current financial year ending in March: Toshiba was down 62.6 per cent, Hitachi 27.3 per cent, and Mitsubishi Electric 24.5 per cent.

Memory chips remain potentially lucrative. The world market is worth about $14bn, of which Random-Access Memory chips such as the 4Mbit comprise about two-thirds of the value. There are other types of chips, many of them more sophisticated than memory chips – with some, for example, working as the brain of a computer – but the memory market is the largest and, Japanese makers had hoped, the most profitable.

That was certainly the case with the 1Mbit generation, in which Toshiba led the pack and reaped large profits. For the 4Mbit, the competition has been much tougher, with eight Japanese companies, three US makers, and one South Korean company, Samsung, in the field, and two other South Korean companies preparing to begin production.

This challenge to Japanese makers, which last year captured about 93 per cent of 4Mbit sales, has forced them to cut chip output targets in the financial year ending in March by 30 per cent and more. Toshiba has delayed the opening of a new production line by six months. And a month ago, Fujitsu, Japan's leading computer maker, announced it was cutting investment in semiconductor manufacturing facilities in the year to March 1993 by 40 per cent to Y90bn, and postponing construction of new plants until the following year at the earliest. The pain is also severe at Hitachi, where memory chips comprise about 40 per cent of chip production.



The cuts in Japanese production targets are an attempt to bolster the price of the 4Mbit chip. But that strategy has been undermined by the continuing weakness in demand and the aggressiveness of Samsung, which is quoting prices to customers at up to 10 per cent below the level agreed on by Japanese makers.

Partly as a result, Japanese companies are nervous about the prospect for profits on the next generation of 16Mbit chips. They are even more anxious about the risk involved in developing the new technology necessary to manufacture the even more sophisticated 64Mbit chips. Mr Hajime Sasaki, senior vice-president at NEC, said the types of products that might use a 64Mbit – for example, video telecommunications systems – are still under development, and he is unsure who will be buying when the chips arrive on the market in the mid-1990s.

This uncertainty has prompted Japanese companies, once proud that they dominated the market, to try to share the 64Mbit development burden with foreign partners. Mr Kazuo Kimbara, Hitachi's senior managing director, sometimes called "Mr Chips" for his leading role in developing the Japanese industry, said that "the need for international co-operation is being felt more strongly than ever".

Hitachi and Texas Instruments of the US recently announced an agreement to research jointly the technology needed to make the 64Mbit chip, which requires the use of finer circuits than present technology can manage. There are also agreements between IBM and Siemens, and NEC and AT&T Microelectronics, and Toshiba has been considering a partnership with an unnamed European company. AT&T estimates that the cost of developing the new process will be about $500m, and that is before a production facility is built.

These agreements have another beneficial side effect: they help to solve the problem of trade friction that has long plagued Japanese semiconductor makers. In their quest to build market share in the early 1980s, Japanese companies flooded the US with chips, with exports rising from $285.66m in 1982 to $987.1m in 1984. When challenged by the US government they admitted that some of the devices had been dumped – that is, sold at less than cost.

The result was a five-year, bilateral semiconductor pact signed in 1986 and renewed last July, when Japanese makers again vowed that they would not dump chips and Tokyo agreed that foreign chips should have at least a 20 per cent share of the overall Japanese market by the end of the next year.

What these longer-term agreements have not done is help the 4Mbit market, which has little chance of revival until the US economy recovers and demand increases from US computer makers. In the meantime, Japanese companies will be under extreme pressure, and the stronger, NEC, Toshiba, and Hitachi, are hoping that the weaker, such as NMB Semiconductor and Oki Electric Industry, will drop out of the memory market.

"There are just too many companies making the chips," a Fujitsu executive said. Even the large electronics companies determined to remain in the market are having to adjust their vision of the future. A good reason for continuing to push ahead is that the technology involved, particularly the process of miniaturisation, is likely to have applications beyond the memory chip itself.

That in itself, however, will not guarantee profitability. In the past, the Japanese manufacturers were fond of describing chips as the "industrial rice" of the modern age; like rice, memory chips have indeed become just another commodity.

Joe Rogaly

India has the pluses

Watch India. It stands a far better chance of becoming an important new industrial power than Russia, the Ukraine, Kazakhstan, and all the other states of the former Soviet Union put together.

This does not mean that it will do so. Delhi's history of economic mismanagement is discouraging. Its tradition of heavy-handed planning was established when Stalin was a hero to the world's socialists. As to political risk, the persistence of inflation in the low double-digits could bring India's minority government down at any moment deemed suitable by the opposition. It is not only Mr Boris Yeltsin's regime that is threatened by price increases.

Yet when you list pluses and minuses India seems to have more going for it than the ex-Soviet states. It is well-placed to follow Indonesia, Mexico and others into a period of high growth and rapid industrialisation, financed by a strong inflow of foreign capital. The former Soviet state is not.

Let us tick off the top three items. First, Russia is trying to build a market economy on the crumbling ruins of a communist polity. There has been no systemic failure in India, although last summer's teeter on the brink of financial collapse was a close-run thing. Second, the Russians are starting from scratch. Everything must be changed. The new government in Delhi has a far lesser task. It is merely trying to open up a formerly closed economy, restrain the growth of the public sector, and put an end to the Soviet-inspired system of licensing and regulation that has led many Indians to describe the four decades since independence as wasted years.

Third, the Commonwealth of Independent States is mystified by capitalism. India is the home of some of the brassiest capitalist buccaneers on the face of the globe. The Russians are searching for an understanding with the World Bank and the International Monetary Fund; many of Delhi's leading economic advisers have served time in either the Bank or the Fund. They speak the language of international lenders.

Several other factors favour India. The newly liberated ex-communist states are struggling to learn financial management. India has rapidly growing stock exchanges, sophisticated (if constrained) capital markets, and an urban public accustomed to the trading of goods and services in the hustle and bustle of huge permanent marketplaces like the streets of Calcutta and Bombay. It also has a working if uneconomic railway system, improving telecommunications, and goods in the shops. Russia's Gosplan-designed infrastructure is an obstacle to its progress; its shop windows are empty.

More to the point, it is not certain that the Russians know what they are doing. The new Indian government is advised by highly sophisticated and knowledgeable economists who are convinced that their programme is the right one. Some of them produce papers written years ago to demonstrate that they were

Britain has a direct commercial interest in building a closer relationship with this future India

market economists long before the last August's loans-for-liberalisation deals were struck with the IMF and the World Bank.

The small coterie of politicians and officials who are managing India's bold programme of stabilisation and reconstruction seems determined to plough ahead, whatever the political difficulties. A phrase familiar to Britain of the early 1980s – "there is no alternative" – is ringing round Delhi.

All that said, India remains India. The caste system, the commercial and political corruption, and the stifling bureaucracy will not be disposed of easily or quickly. The three-quarters of the people who live in villages, many of them in abject poverty, will not enjoy the trickle-down of any drops of prosperity for many years to come. As the growth rate increases, the existing disparities between the regions will be widened. Yet it is possible to visualise a sort of success, however erratic the pace may be.

Britain has a direct commercial interest in building a closer relationship with this India of the future – a greater interest, I suspect, than in trying to purchase or establish businesses in the former Soviet Union. Perhaps this will be recognised after the next general election. During the past three weeks two senior ministers, the home secretary and the foreign secretary, have visited Delhi. Mr Kenneth Baker's talk was of extradition treaties and immigration, Mr Douglas Hurd's of relationships with Pakistan and the desirability of a political solution to the Kashmiri problem.

It is probable that both visits were at least partly inspired by domestic British political calculations. The votes of immigrants from India and Pakistan will be important in several marginal constituencies. Rich Indian businessmen resident in Britain are important contributors to both Conservative and Labour party funds. Yet both Mr Baker and Mr Hurd had good departmental reasons for their visits. Both expressed admiration for the courageous way in which the government of Mr P V Narashima Rao is persisting with its new economic policy.

If it works, there will be a lot of business to do. Britain should be well-placed to capture some of it.

In support of this proposition, I offer just one vignette of a three-week visit to the subcontinent. It is Calcutta, on a Sunday afternoon in January. On the green grass of the huge city-centre park there are hundreds of games of cricket in progress. There is barely space to walk between the pitches; one game melds into another. Everyone is in best Lords whites. Much Bengali is spoken, but much English too. From time to time an English phrase floats across the air. "Owzat?" is particularly common, challenging the umpire to declare the batsman out.

Nehru's socialist, statist legacy is walking to the pavilion. It is time to start taking proper notice of India again.

LETTERS

Lloyd's puts outsiders first

From Mr N F Parker.

Sir, In your article, "The Lloyd's Report" (January 18), Mr Tom Benyon, on behalf of the Association of Lloyd's Names, is quoted as saying: "For the first time in its 300-year history, it's putting the outsiders first, and not the insiders". Mr Claud Gurney (Letters, January 16) uses the same conception of outsiders and insiders to make the opposite point.

In fact, Lloyd's has always put outsiders first. They are the policy-holders. Those of us who take a serious interest in the running of Lloyd's and our own syndicates in particular are very much insiders and are treated accordingly.

N F Parker,
Jeddah, Saudi Arabia

District council spending that bears examination

From Ms Judy Mallaber.

Sir, Reports of our analysis of Standard Spending Assessments (SSAs) for 295 shire district councils have focused on political debate, yet Mr Michael Portillo's assertion that our findings are "ludicrous" cannot go unchallenged (Parliament and politics, January 17).

The report concentrated on shire district councils because the figures for these authorities bear examination. The study was requested by our members who have often expressed their concern about the way in which SSAs are set.

The proposed national average increase in SSAs is 6.8 per cent, yet Liberal Democrat and Labour controlled districts are in line for increases of 4.87 per cent and 3.92 per cent respectively. Our research was unable to find a reason which would account for this.

Mr Portillo cites increases in some London boroughs to demonstrate even-handedness. For the record, in the 32 London authorities both Labour and Tory administrations received average SSA increases of 7.7 per cent. Liberal Democrat authorities and hung councils get 7.3 per cent. The closeness of the London figures is an explanation of differences between districts even more important.

Judy Mallaber,
director,
Local Government Information Unit,
1-5 Bath Street, London EC1

Part-time work the only option

From Ms Valerie Amos.

Sir, Alison Wolf from the Institute of Education seeks an explanation (Letters, January 16) as to why so many British women are working if the UK's childcare provision is so scarce. The explanation comes in two words – part time.

While it is true that the UK has the second highest rate of female participation in the labour force, this is because we have so many part-timers.

In all EC countries, married women are more likely to work part-time than non-married women. But in the UK, 53 per cent of married female employees worked part-time in 1988 (last year for which figures available) compared with an EC average of 37 per cent.

A significant proportion of part-time working women would prefer to work full time, but are prevented from doing so by the lack of affordable quality childcare.

The UK is also different from its EC neighbours in that 34 per cent of fathers of children under 10 worked more than 50 hours a week, the highest total in the EC.

Women in Britain work out of necessity. But the lack of affordable childcare means that for most women a life of low-paid, part-time work is substituted for the prospect of a long and successful career.

Valerie Amos,
chief executive,
Equal Opportunities Commission,
Overseas House,
Quay Street, Manchester

Cyrus Vance, not EC, behind Yugoslav lull

From Mr M Gavrilovic.

Sir, Your editorial, "Next steps in Yugoslavia" (January 16), unconvincingly attributes the present lull in Yugoslav fighting to "unilateral German diplomacy". Germany has been on one side of the Yugoslav conflict right from the start of the present fighting, making its entire diplomatic and media services available to former Second World War ally Croatia along with secessionist Slovenia.

The fighting became an inevitability once the Serbs in Croatia realised that they might well find themselves imprisoned within another independent state of Croatia for the second time in 50 years.

With its most powerful and dominant member on one side of the conflict it was only predictable that any EC initiatives were going to be heavily distorted in favour of the secessionist republics and stood little chance of acceptance at any diplomatic or negotiation level.

Far more convincing has been the involvement of Mr Cyrus Vance and his UN team who, almost on their own, achieved within a few weeks what German-led EC unilateralism failed to achieve in six months. Many of the EC moves and proposals have been unprecedented in their deviation from international legal norms and ignored many EC procedures as well.

It is now far more likely that several Northern Irelands have been created where a once multi-ethnic state was able to guarantee minority rights far better than the untried and instantly ignored (by Germany and the EC) paper guarantees now on the table.

M Gavrilovic,
5 Fairways,
Teddington,
Middlesex TW11 9PL

Critics of Russian central bank

From Mr Robert Pringle.

Sir, Your report, "Adviser warns of Russian power struggle threat" (January 16), gives 10 paragraphs to Prof Sachs's criticism of the Russian central bank and only one to the Russian central bank's criticism of Prof Sachs. In effect, it takes sides with Prof Sachs and Mr Yegor Gaidar, deputy prime minister, in their struggle against the central bank and its chairman, Mr Georgy Matiukhin. May I make two comments?

First, I believe Mr Matiukhin to be a man of complete integrity, a rare commodity among Russia's ruling classes. Second, the Russian central bank has some valid arguments in its defence. It is no good just reducing the issue of currency when there is no effective circulation, no mechanism to ensure that notes return to banks or enterprises. Though it is admittedly inflationary, if the growth of the money supply ceased, some workers would not be paid at all.

A foreign adviser should offer advice in private; Prof Sachs's use of western publicity to wage an internal war and defend his own privileged position is an unwarranted interference in Russia's affairs.

Robert Pringle,
editor,
Central Banking,
53 Clarewood Court,
Crawford Street, London W1

UK industry's use of languages

From Mr Richard Baker.

Sir, I sympathise with Mr James Calvert's *cri de coeur* about languages in British industry (Letters, January 15).

As a languages graduate I spent 28 years working as an export and overseas manager for three major British companies. In two cases I was succeeded by someone who had no foreign languages and in the third case my successor spoke no relevant language (in all other respects he was, and is, an excellent person).

I would never have got off the ground in industry had my first managing director not kindly sent me to a technical college to learn chemistry (of which I had done none at school or university).

My advice to young people contemplating a career in British industry is to study formally a technical subject or accountancy, and then learn languages on the job, preferably abroad. Few British companies are really interested in exports, and you will invariably be paid less than your UK counterparts.

Richard Baker,
10 Glentham Road,
Barnes,
London SW13 9JB

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Tuesday January 21 1992

Kohl to campaign for Frankfurt as financial centre of Europe

By Quentin Peel in Bonn

MR HELMUT KOHL, the German chancellor, yesterday called on the banks and traders on the Frankfurt stock exchange to crack down on insider trading in an effort to strengthen their claim to become the financial centre of Europe.

At the same time he pledged the support of his government in drawing up the new legislation needed to make the German capital markets more flexible and more attractive to would-be investors.

He also promised a determined campaign to make Frankfurt the headquarters for the future European central bank, the institution which will control the future single European currency.

His blunt appeal was launched at the annual opening of the Frankfurt stock exchange and German futures and options market.

It was not enough for the government to pass enabling legislation allowing the stock markets to co-ordinate their activities, launch a futures market and introduce new technologies, he said. The markets must put their own house in order.

"It is just as important for the supervision of stock exchanges and securities transactions, above all in the area of insider trading, to meet modern requirements," he said.

"It will not do for a few individuals to jeopardise international trust in the German financial market. The current insider regulations – based on voluntary codes of conduct – are clearly not enough to prevent irresponsible behaviour."

He spelt out a series of measures *planned or already* undertaken by the German government, including the package unveiled last week by Mr Theo Waigel, the finance minister, to strengthen the German capital markets. They included the amendment of the stock exchange law, enabling the establishment of the futures and options market, and the introduction of new technology in stock market transactions.

● The Bank of England yesterday stepped up its campaign to make London the home of the monetary institutions that will be set up as the EC moves towards economic and monetary union, writes Peter Nor*man in London.*

Mr Eddie George, the Bank's deputy governor, said London was the "logical location" for future European monetary institutions because of its dominant position in the world foreign exchange markets.

Recession threat; Treuhand marketing strategy, Page 3

Corporate bankruptcy in Japan at record level

By Steven Butler in Tokyo

THE COLLAPSE of more than 1,000 property companies in Japan last year helped push corporate bankruptcies to a record level, according to reports published yesterday by two credit agencies.

Figures from Teikoku Data Bank and Tokyo Shoko Research show that corporate liabilities of bankrupt companies last year reached some Y8,000bn ($62bn). This is about four times higher than in 1990, and nearly double the record set in 1985. The figures are for corporate bankruptcies of more than Y10m.

The sharp rise in insolvency was a direct result of the Bank of Japan's high interest rate policy, aimed at reversing a steep rise in asset prices in the last decade. The high rates, which the bank began to ease last July, have also held back the economy.

The Nikkei share index is perilously close to the bottom of the range in which it has been trading since the collapse of the bull market in early 1990. **Page 4**

Central bank economists have none the less expressed confidence that underlying economic activity remained at healthy levels, and that commercial banks would be able to withstand the rising level of bad debt on their books.

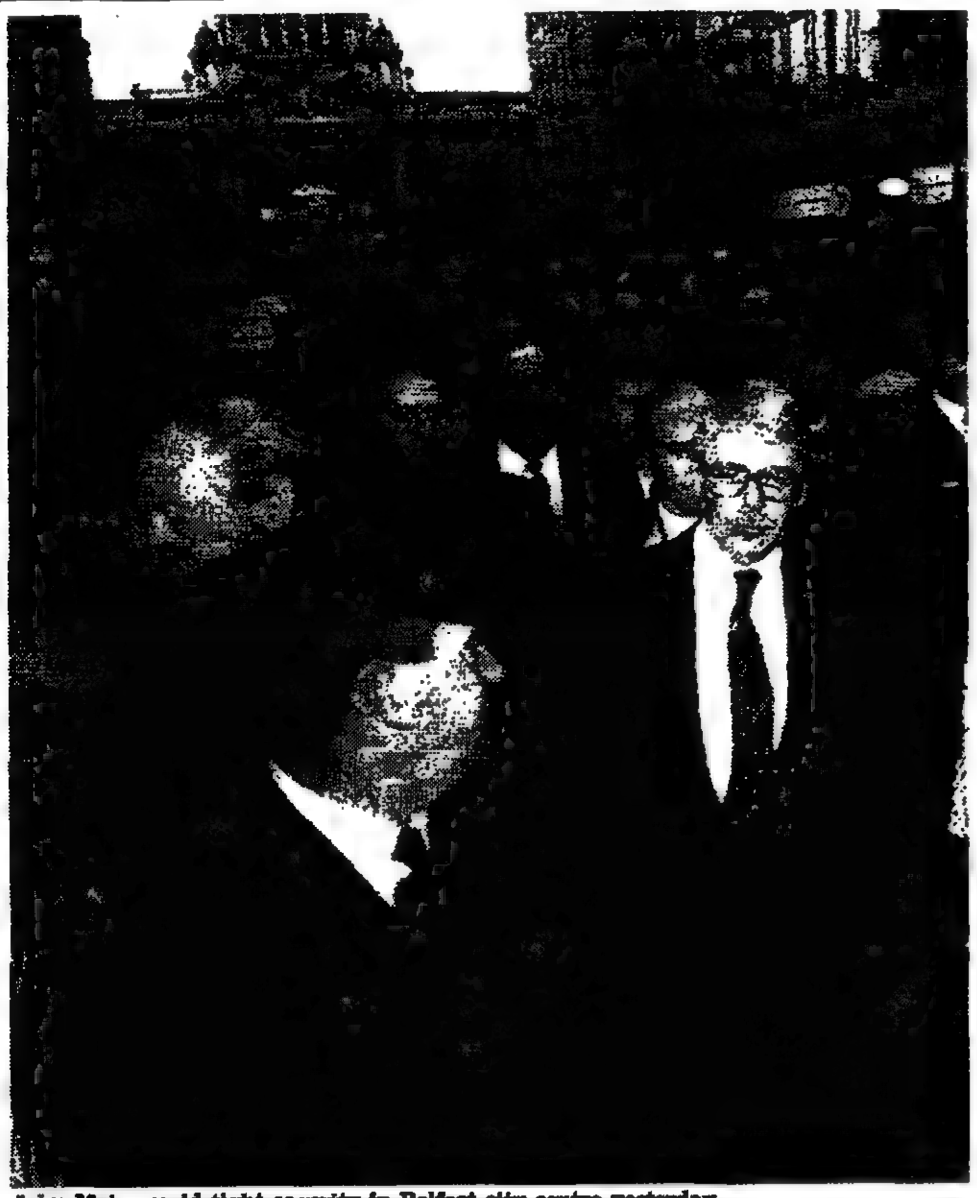
An analysis by Teikoku Data Bank underscored the conflicting pressures on the economy. It showed the second biggest *cause of insolvency was* the inability of companies to hire sufficient labour – this accounted for 548 bankruptcies. The central bank has kept interest rates high in part to combat wage inflation caused by a labour shortage.

Bankruptcies caused by the downturn of property prices accounted for 1,036 cases, with Y2,980bn in liabilities.

The number of insolvencies, while rising from 6,468 cases in 1990 to 10,723 last year, fell well short of the levels of the early 1980s. The number of bankruptcies with liabilities over Y1bn, however, was a record *713 cases, with 11 over Y10bn.*

Teikoku Data Bank said little relief was in sight. December bankruptcies reached more than 1,200 cases for the first time since March 1987. Total liabilities of bankrupt companies during the month reached Y868.2bn, the second highest following the record of Y957.2bn set in August.

The number of property companies filing for bankruptcy in December was a monthly high of 119. This was in spite of recent cuts to the official discount rate and moves by the government to lift restrictions on property-related lending.



John Major amid tight security in Belfast city centre yesterday

Brooke's resignation offer undermines Ulster talks

By Ralph Atkins, Tim Coone and Our Belfast Correspondent

MR PETER BROOKE, Northern Ireland secretary, yesterday weakened the government's hand in dealings with the province by offering to resign after appearing on an Irish television chat show only hours after the IRA killed seven civilians.

Mr John Major, the prime minister, refused to accept his resignation and expressed confidence in Mr Brooke. But the incident appeared last night to *have undermined the Northern* Ireland secretary's efforts to start political talks on the province's future.

Amid bizarre scenes at Westminster, Mr Brooke won warm support from the Labour party and Tory backbenches for his honourable stance, but he is believed at Westminster to be unlikely to survive in his present post beyond the general election.

He created confusion with his surprise offer. Not until some hours later did Downing Street announce that it had been rejected.

The offer came at the end of a Commons statement on the IRA's killing of seven construction workers in Co Tyrone on Friday. Mr Major visited one of the workers injured in the blast on a tour of Belfast yesterday. He promised that paramilitaries would be "hunted, hunted, and hunted for the rest of their days".

Last night, the prime minister met Unionist MPs pressing for still tighter security in the province, but was expected to *reject the most radical of their* demands, including internment. Heading the Unionist delegation was the Rev Ian Paisley, leader of the Democratic Unionist party – the most prominent among those who had called for Mr Brooke's resignation.

Unionist politicians are unlikely to want to take part in further "talks about talks" with Mr Brooke and he is likely to have lost considerable respect for appearing to cower to DUP demands.

During the chat show Mr Brooke expressed outrage at the IRA's attack and sympathy for the victims' families. He was then invited to sing "Danny Boy", by Mr Gay Byrne, the show's host. Mr Brooke declined, but under Mr Byrne's insistence he sang "Oh My Darling Clementine".

Northern Ireland Office officials, who were taken aback by Mr Brooke's reaction yesterday, had argued that to change his programme on Friday would have been to allow the IRA to set the agenda.

In the Commons' yesterday, Mr Brooke apologised for his "error" which he insisted was "innocent in intent". As he spoke, Tory MPs shouted "no, no, no". Mr Kevin McNamara, Labour's Northern Ireland spokesman, praised Mr Brooke's "courageous statement".

In Dublin, Mr Gerry Collins, Irish foreign minister, backed Mr Brooke and said he looked forward to seeing him "very shortly". An Anglo-Irish conference meeting is expected next week.

Observer, Page 18

US-Japan action halts rise in dollar

By Peter Norman, Economics Correspondent

SURPRISE US-Japanese action to brake the dollar's recent rise fuelled speculation yesterday that international currency movements will play a more prominent part than previ*ously expected in Saturday's* talks among Group of Seven finance ministers and central bankers in Long Island, US.

However, with US government offices closed and trading in financial markets thin because of Martin Luther King Day, foreign exchange traders and analysts were unclear whether Friday night's dollar sales by the US Federal Reserve and the Bank of Japan were intended to tackle bilateral US-Japanese problems or part of a US-inspired plan to enhance the role of the G7 in global economic management.

Not in doubt was the effect of the joint intervention on the dollar's value. It halted the US currency's sharp rise that began on January 9.

The dollar closed at Y123.65 in London yesterday, down Y3.8 on Friday's finish. It fell one pfennig to DM1.5970. Sterling closed nearly 1½ cents higher at $1.7910 compared with $1.7765 on Friday.

Mr Jim O'Neill, head of capital markets research at Swiss Bank Corp in London, said the US-Japanese decision to sell dollars after London trading on Friday was "potentially more important than the occasional Friday afternoon flurry".

The US Treasury has rarely been keen on intervention in the past. Friday's move may, therefore, have been intended to show that the recent US-Japanese agreement to promote economic growth in the two countries and the world meant action as well as words.

Mr O'Neill said the intervention may also have been designed to serve notice on the other G7 countries – Germany, France, Britain, Italy and Canada – that the US would try to breathe more life into the group as an agent for changing economic policies.

One senior G7 official admitted that the other G7 countries had been surprised by the US-Japanese intervention, which was not taken in concert with other members of the group. But the official, who asked not to be identified, said both countries had reasons of their own for the intervention.

If maintained, the recent sharp rise in the dollar could threaten the increased international competitiveness of US exporters and US hopes of export-led recovery.

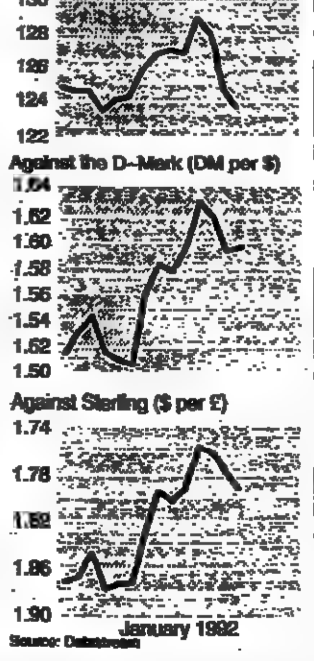
Japan, which has come under mounting criticism in the US for its mounting bilateral trade surplus, would not welcome a stronger dollar because it would threaten to increase trade friction.

The interest of other G7 countries in currency intervention is small at present. Officials at the German Bundesbank said current exchange rates among the G7 countries caused it no problems.

Mr Norman Lamont, the UK chancellor, believes that the G7 is a useful forum for exchanging information. However, he shows no enthusiasm for close coordination of G7 exchange rates and economic policies.

Currencies, Page 38

Dollar



THE LEX COLUMN

The shopper's tangled tale

The picture of UK retail sales *is getting murkier just* when the market most needs guidance. The government tells us that December was awful. The CBI tells us that December continued the mild recovery of the previous four months but that January looks awful instead. Anecdote tells us that the picture was appalling until just before Christmas, then got sharply better until early January, then may have gone off again.

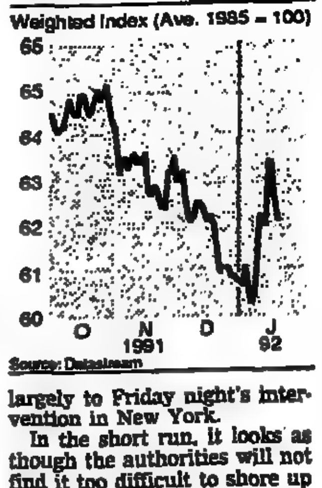
With luck, the CBI's expectations for January may chiefly reflect the depressed mood of its respondents in mid-December. On the other hand, if the anecdotal evidence is right, the official 1 per cent drop in December retail volume is worse than it looks. The period ended on January 4, thus taking in most of the recovery period. Early December must thus have been dire indeed. Where we are now is anyone's guess.

The trouble is that this slender evidence is being loaded with a significance greater than it can bear. The market looks to the retail sector for clues to the economy. The government looks to the economy for clues to the election. The consumerlooks to the election for clues on when it is safe to start spending again. The result is gridlock.

It seems to follow that last week's recovery in retail stocks – the sector outperformed the market by 4 per cent – was once again premature. The sector's historic p/e is over 18 *times against 14.5 times for the* market, while its yield is more than a full percentage point below the market average. There is no doubt that the retailers are more geared than most to recovery. It could also be argued that wider faith in recovery was implied by yesterday's slight rise in the FT-SE despite the retail figures. The fact remains that in terms of the economic fundamentals, the market is proceeding in the dark.

FT-SE Index: 2,544.9 (+8.2)

Dollar



Currencies

Yesterday's drop below 21,000 on the Nikkei emphasises the dilemma facing the Japanese authorities. On the one hand, they need a higher Yen to stave off protectionist pressure from the US. On the other, the risk that falling equity prices could prompt a banking crisis suggests a further cut in inter*est rates is imperative. Caught* in the middle is the dollar, which closed in London 3 per cent below its pre-weekend level against the yen, thanks largely to Friday night's intervention in New York.

In the short run, it looks as though the authorities will not find it too difficult to shore up the yen ahead of Saturday's ministerial meeting of the Group of Seven. Intense US political pressure on the trade issue may just help to hold the yen up thereafter. That could resolve the policy dilemma by allowing the hitherto reluctant Bank of Japan to cut interest rates once more without worry about a revival of inflationary pressure.

If, however, the markets prefer to concentrate on the effect of low Japanese bond yields on capital flows, it will be touch and go whether the Miyazawa administration can pull off the conjuring trick. It would doubtless help if the US were to cut its own rates again in the not-too-distant future. It would also help if the dollar turned out not to have embarked yet on a sustained upward trend, despite its worldwide rally last week. A stronger dollar would also make it harder for Germany to start cutting rates as its domestic economy weakens. There is a co-operation challenge for G7 ministers here. The question is whether they will grasp it.

Perrier

It looks as if the Agnelli family has fallen foul of the French establishment after all in its attempt to take over Perrier. The fact that Perrier may instead go to a Swiss company is apparently secondary. The Agnelli decision a few weeks ago to make a full bid for Exor, the holding company which controls Perrier, was an *attempt to mollify powerful* minority shareholders like Banque Indosuez. Now that Suez has joined forces with Nestlé in a rival but direct bid for Perrier, such displays of politeness are presumably over.

It is hard to see Saint Louis, which bought a 13.8 per cent stake in Perrier at the start of the year and was until yesterday an Agnelli ally, turning down a capital gain estimated at more than £40m. Whether the Agnellis then accept the Nestlé/Suez *offer and realise* their own capital gain remains to be seen. But the Italian family's ambitions in the European food industry have suffered an embarrassing setback.

Arguably the *eminence grise* of the whole affair is BSN, which stands to gain the Volvic brand as its price for helping to deliver Perrier to Nestlé. The Agnellis could perhaps make trouble by pursuing their previous desire to increase their stake in BSN. But that would doubtless involve a battle with the French establishment as well.

Unless Brussels intervenes, the clear winner is Nestlé, which has emerged as a master of European takeover strategy. It presumably intends eventually to buy out Suez and run Perrier for itself. As with its bid for Rowntree four years ago, it appears to have outflanked the opposition when it looked as if the game was up.

British Aerospace

Institutions which have been baying for British Aerospace's blood at least have the satisfaction of seeing Mr Dudley Eustace quit his job as finance director. Doubtless, Mr Eustace must share the blame for last autumn's rights issue fiasco. But it does not help that there is no replacement to hand, while the problems that piled up during the reign of the idiosyncratic Sir Roland Smith are as acute as ever.

Asda's property claim against BAe has at least been provided for, so there is no extra impact on the profit and loss account. It will involve a cash outflow, though, which the company can ill afford – especially since it looks increasingly unlikely to clinch *the cash-rich second phase of* the al-Yamamah deal until the UK election is out of the way.

Meanwhile, BAe has to be doubly careful in managing its working capital. Its cash position may have improved in last year's second half as stocks of unsold Rover cars were reduced. *But cars will be difficult* to move this year as well. BAe needs to find a new finance director quickly, and a good one at that.

Miners add to pressure on Russian reforms

Continued from Page 1

used them to finance enterprises. Ministers see the availability of virtually no-cost credit as the largest threat to their programme.

The credit allows enterprises to push up product prices very high and wait for buyers, with little incentive to increase output or improve efficiency.

The parliamentary praesidium yesterday considered draft legislation which would win back the right of parliament to approve the composition of the government – a right given away last year when Mr Boris Yeltsin, the Russian president, demanded emergency powers.

Mr Mikhail Matiukov, chairman of parliament's committee on legislation, told the Interfax agency that under the proposed law, due to be considered by parliament on Thursday, the president could appoint or dismiss the cabinet or individual ministers only after parliament had consented.

Mr Douglas Hurd, the British foreign secretary, said after meeting Mr Yeltsin and Mr Yegor Gaidar, the deputy prime minister in charge of economic reform, that the west must move now to the "third phase" of assistance to Russia and other former Soviet republics – that of macro-economic support, following humanitarian aid and technical assistance.

But he stressed that this third-phase assistance must be provided by the International Monetary Fund, and called for Russia to be allowed full membership as soon as possible.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	R	8	46
Algiers	S	16	61
Amsterdam	F	0	32
Athens	S	12	54
Bahrain	F	19	66
Bangkok	F	29	84
Barcelona	S	6	43
Beirut	R	12	54
Belfast	C	8	46
Belgrade	C	2	36
Berlin	C	-4	[illegible]
Biarritz	C	5	41
Bombay	S	30	86
Bordeaux	C	5	41
Boulogne	C	5	41
Brussels	C	3	37
Budapest	C	-3	27
Buenos Aires	F	33	91
Cairo	F	17	[illegible]
Cape Town	S	24	75
Caracas	F	27	81
Casablanca	F	[illegible]	[illegible]
Chicago	[illegible]	-6	21
Cologne	C	4	39
Copenhagen	C	0	32
Corfu	F	11	52
Dallas	S	-1	30
Delhi	[illegible]	8	46
Dubrovnik		–	–
Edinburgh	C	7	45
Faro	S	12	54
Florence	R	6	43
Frankfurt	C	[illegible]	[illegible]
Geneva	F	1	34
Gibraltar	S	15	59
Glasgow	R	8	46
Helsinki	S	-10	14
Hong Kong	S	18	64
Innsbruck	Sn	0	32
Inverness	C	8	46
I.o. Man	C	[illegible]	[illegible]
Istanbul	F	5	41
Jakarta	[illegible]	32	90
Jersey	F	7	45
Johannesburg	S	27	81
Lima	F	28	82
Lisbon	S	8	46
London	C	5	41
Los Angeles	S	[illegible]	59
Luxembourg	C	3	37
Madeira	C	16	61
Madrid	Fg	-2	28
Majorca	F	12	54
Malaga	S	16	61
Malta	S	15	59
Manchester	C	6	43
Manila	F	32	90
Melbourne	S	26	[illegible]
Mexico City	C	23	[illegible]
Miami	C	17	63
Milan	Sn	1	34
Montreal	Sn	[illegible]	[illegible]
Moscow	F	-13	9
Munich	Sn	0	32
Nairobi	F	27	81
Naples	F	11	52
Nassau	C	27	[illegible]
New Delhi	S	[illegible]	[illegible]
New York	Sn	[illegible]	[illegible]
Nice	C	8	46
Nicosia	S	14	57
Oporto	S	7	45
Oslo	F	-6	21
Paris	C	5	41
Peking	S	2	36
Prague	F	-6	21
Reykjavik	C	7	45
Rhodes	S	12	54
Rio de Janeiro	C	25	77
Rome	R	9	48
Salzburg	Sn	1	34
San Francisco	C	7	45
Seoul	S	2	36
Singapore	S	29	84
Stockholm	F	-5	23
Strasbourg	Sn	1	34
Sydney	S	27	81
Taipei	C	18	64
Tangier	C	13	55
Tel Aviv	R	11	52
Tenerife	F	19	66
Tokyo	S	8	46
Toronto	C	-13	9
Tunis	C	12	54
Valencia	S	11	52
Venice	Dr	4	39
Vienna	Sn	-4	25
Warsaw	S	-6	21
Washington	C	-4	25
Zurich	C	1	34

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

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Tuesday January 21 1992

INSIDE

BAe finance head to leave board

British Aerospace yesterday announced that its finance director, Dudley Eustace (left), would leave the company's board at the end of April or early May. Mr Eustace was stepping down "by mutual agreement" the company said. BAe has been trying to portray a picture of stability after last year's top management crisis. Although Mr Eustace's departure was not unexpected after last year's flopped rights issue, the timing is clearly embarrassing for BAe. Page 28

Shifts in the air above Europe

The emergence of Air France as leader of a consortium to buy a 40 per cent stake in the Czechoslovak national airline has heated up the competition to restructure the air transport industry. Western airlines and aircraft manufacturers alike, seeing the potential for rapid business and tourist traffic growth in central Europe, are seeking new partners and customers and Warsaw is competing with Prague and Budapest to become the leading hub airport for eastern and central Europe. Page 22

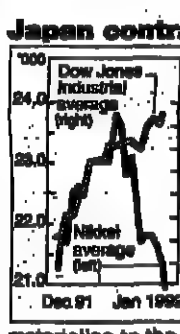
Steetley appeals for support

The battle for control of Steetley, the UK building materials group, should intensify today with the group's latest appeal to shareholders. The group has written to its 7,000 shareholders defending its proposal to merge its UK brick, clay roof tile and concrete products businesses with those of Tarmac, Britain's biggest construction and building materials group. Page 28

Lamb producers gird their loins

Sheep – even toothless old ewes that cannot forage efficiently – are in demand. Before a European Community price support scheme ended, farmers sent many lambs to market, causing a shortage. This is being exaggerated by a lively UK export trade. Furthermore, the former Eastern bloc countries are keeping food at home and the meat traders of Europe are having to look elsewhere. Page 30

Japan contrasts with the US



There was a savage contrast last week between the US and Japanese stock markets. The Dow Jones Industrial Average turned in three all-time highs in five days, yet US shares are not popular with many analysts who think they are priced on a corporate earnings recovery that will not materialise to the extent that will be needed in 1992. However, Tokyo, for which there is analytical support, saw the Nikkei average at its lowest since October, 1990. Page 42

Eurocopy wins licence fight

Shares in Eurocopy soared 25 per cent yesterday as the UK photocopier distributor won its fight for survival. The Office of Fair Trading announced it would not revoke the company's consumer credit licences. Page 26

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Altana Ind	618	+	13	Fonc Lyonnaise	620	+	26
Fag Kugel	238	+	9	Gaumont	744	+	50
Lahmeyer	816	+	14	Paribas	344	+	14
Porsche	579	+	7	**Falls**			
Falls				Bouygues	542	–	14
Beiersdorf	800	–	10	Dollfus Mieg	276	–	9
Schering	804	–	8.5	Radiotechn	455	–	15

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Glaxo	31⅝	+	⅜	Mitsui High-Tec	2850	+	100
Falls				Toshiba Chem	1320	+	60
Gen Dynamics	59½	–	1½	**Falls**			
L'Mark Graph	20¾	–	4½	Furukawa Batt	641	–	59
Raytheon	87¼	–	1⅝	Press Kogyo	481	–	51
UAL	152	–	4	Showa Mfg	501	–	60
Upjohn	41½	–	1¾	Yuasa Batt	630	–	93

LONDON (Pence)							
Rises				Wminster Scaf	15	+	3
Danbury	31	+	3	Wilkes (James)	189	+	30
EldridgePope A	182	+	5	**Falls**			
Eurocopy	100	+	20	Brit Aerospace	302	–	12
Ferropak	248	+	12	Bromsgrove	123	–	6
Fisons	353	+	19	Bullough (DG)	3	–	7
Glaxo	864	+	24	Eurotunnel Uts	461	–	19
Lobnitz	154	+	14	Lucas Inds	118	–	5
Manica Dev	175	+	77	P & O Defd	449	–	11
Meridian Inves	18	+	4	Ratners	24½	–	2½
Ransomes	36	+	5	Resort Hotels	88	–	6
Spirytrek	12	+	2½				

Treasury to reform auction of US bonds

By Patrick Harverson in New York

THE US Treasury will sell more government securities without notice if it detects attempts by investors to corner the market in new issues.

The plan for unscheduled sales of new government debt is part of a study drawn up by the Treasury, the Federal Reserve and the Securities and Exchange Commission (SEC). The study was drawn up after an investigation into attempts in 1990 and 1991 by Wall Street firm Salomon Brothers to rig the market for new Treasury securities.

The reforms, which will be officially unveiled this week, are aimed at opening up the US bond auction system, which until the Salomon scandal broke last summer was effectively closed to all but a few big institutions and which escaped close scrutiny from regulatory authorities.

The plan to stop "squeezes" is the most radical part of the reform package, and represents a significant policy change. Squeezes occur when a few investors corner the market in a new issue and then force other investors who need the new securities to pay inflated prices.

The Treasury has refused to interfere with the workings of the bond market, but the seriousness of the Salomon squeeze last May (when it controlled more than 90 per cent of an issue) and the need to prevent further manipulations prompted the reversal.

The Treasury/Fed/SEC study recommends a complicated new system which allows bidders to view the progress of the auction and which ultimately distributes securities more evenly among bidders. Any changes to the auction process, however, will not be introduced until opinions in the market have been canvassed and the current automation of bidding procedures has been completed.

Other reforms that the study will recommend include:

- Asking Congress to grant the authorities power to force firms to disclose large holdings of government securities, and to legislate tougher enforcement of auction rules
- Lessening the importance of primary dealers, and allowing other institutions direct access to the auction
- Improving the dissemination of market prices and data, and allowing the public to see the pre-auction information that is normally available only on brokers' screens
- A new system to verify large customer bids.

Players from France, Italy and Switzerland are drawn to the drama over Perrier's ownership

Strange alliances in the water wars

By Alice Rawsthorn in Paris **and Guy de Jonquières** in London

Even by French standards, where the intricate webs of corporate holdings and cross-holdings recall the incestuous sub-plots and shifting alliances of Les Liaisons Dangereuses, the machinations over the ownership of Source Perrier, the world's biggest mineral water group, are unusually tortuous.

Yesterday the saga took a turn when Nestlé of Switzerland, the world's largest food manufacturer, joined forces with Banque Indosuez, a powerful Parisian bank, to mount a FFr13.24bn ($2.45bn) bid for Perrier.

The bid comes only a few weeks after Ifint, an investment vehicle of the Italian Agnelli family, made a FFr5.6bn offer for Exor, the wine and property group which controls 35 per cent of Perrier.

On the face of it, the latest turn of events has pitted two of Europe's most powerful business empires into head-to-head confrontation and split the French financial establishment down the middle.

However, the relationships linking the different parties are so complex – and the ultimate motives of most of them so murky – that stock market analysts were yesterday unsure whether the skirmishing would develop into all-out war or be settled amicably by behind-the-scenes negotiation.

Among the French protagonists, the Suez group, owner of Banque Indosuez, holds 10 per cent of Exor. Meanwhile, Saint Louis, a French sugar, paper and packaging company in which the Agnellis own a stake, recently paid FFr1.5bn for 13.8 per cent of Perrier. Saint Louis also owns 3 per cent of BSN, the French food group.

The Agnellis indirectly own 5.8 per cent of BSN and have made no secret that their aim is to raise the stake further.

However, BSN is also linked with Nestlé. The two groups recently teamed up to bid for Cokoladovny, a Czech confectionery company, and yesterday BSN agreed to buy Perrier's Volvic mineral water business for an undisclosed sum if Nestlé's bid succeeds.

The agreement appears designed to smooth the path of the European Commission approving an eventual takeover of Perrier by the Swiss group. A deal would almost certainly fall within the scope of the EC's 15-month-old merger regulation, which has not yet been applied to a large acquisition in the food and drink industry.

The Perrier saga started early last year when Ifint began buying shares in Exor. In November Ifint launched a partial bid for Exor which, after protests from the minority shareholders, not least from the Suez group, was turned into a full bid.

Last summer, Ifil, another Agnelli vehicle, acquired 6.4 per cent of Saint Louis, which it has since controlled with Worms et Cie, the French family-owned holding company. Earlier this month Saint Louis bought its stake in Perrier.

However the whole issue of Ifint's bid for Exor and Saint Louis' purchase of Perrier stock has gone on ice while the French regulatory authorities scrutinise the deals and decide whether to sanction the Saint Louis investment.

Enter Nestlé and Indosuez with their offer for Perrier, amid frenzied speculation in the French and Italian press about the Agnellis' long-term intentions towards BSN.

Mr Antoine Riboud, BSN's 73-year-old chairman, has long been friendly with Mr Giovanni Agnelli, head of the Italian group, and has named no heir apparent. BSN's shares rose sharply on the Paris bourse yesterday.

Some French analysts suspect the Nestlé offer is too low to be more than a sighting shot.

> Whatever direction developments take, it seems unlikely that Perrier will retain either its independence or its full range of existing business

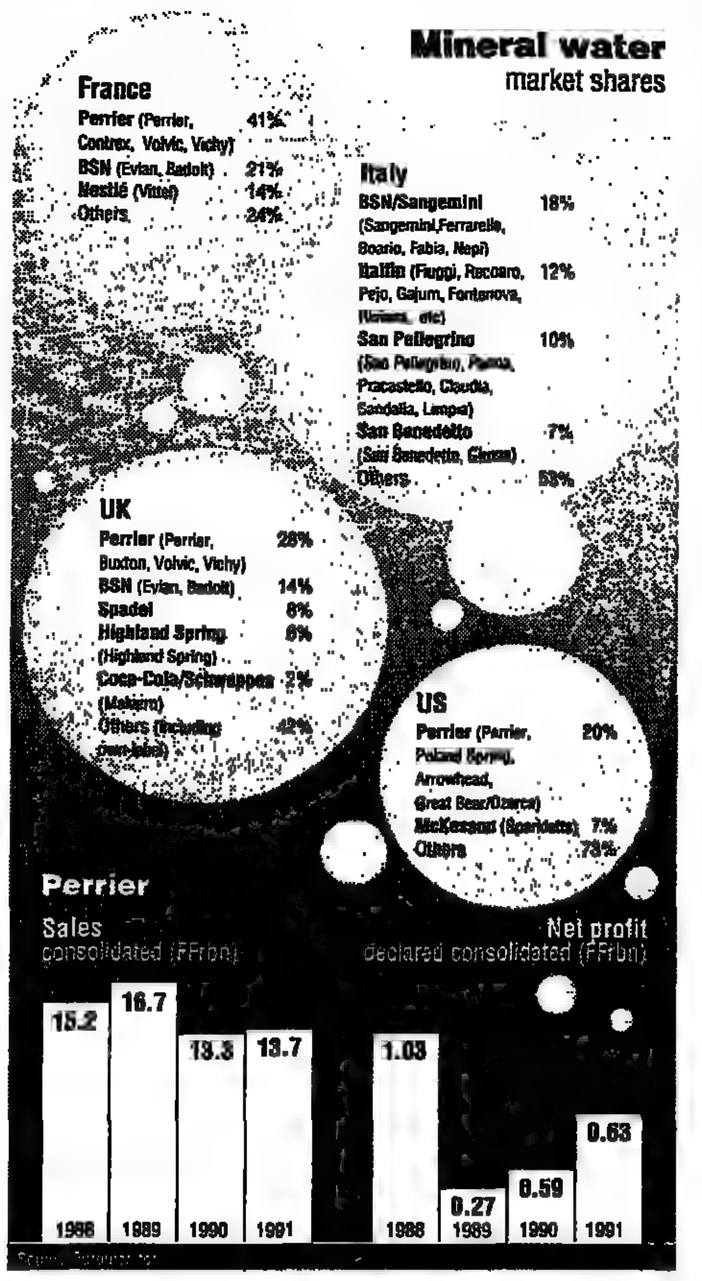
"It may be that Nestlé wants to flush out a counter-bidder," said Mr John Cousins, head of BZW-Puget Mahe, the Paris broker.

"If so who would the counter bidder be? The Agnellis? I certainly can't imagine anyone else wanting to get involved in this mess," he added.

Although the Agnellis's business empire already includes foods, their involvement is as investors rather than as hands-on managers with a deep knowledge of the industry.

Many analysts view their recent expansion in France mainly as a form of portfolio diversification.

In contrast, both the industrial logic of Nestlé's bid, and the seriousness of its interest in Perrier, seem clear: a spokesman for the Swiss company said it viewed mineral water as "a strategic axis" of its future development, offering good long-term growth prospects.



Nestlé, which seeks to cultivate a public image of wholesomeness, does not normally indulge in hostile bids – particularly if, like that for Perrier, they involve it in high-profile political manoeuvring.

Its successful bid for Rowntree three years ago, was an exception and appears to have been partly an attempt to pre-empt a takeover of the UK chocolate maker by Suchard, Nestlé's Swiss arch-rival in confectionery.

Similar considerations seem to have influenced yesterday's bid. Nestlé said only last week that it had been considering bidding for Perrier, before it was thwarted by the Agnellis.

Nestlé, which is a world leader in instant coffee, confectionery and dairy products, is already the world's third largest mineral water supplier.

Its interests include Vittel in France – the still water market leader of which it recently acquired full control – Ashbourne in Britain and several smaller companies in Germany and the US.

However, it still trails a distant third in the business behind Perrier and BSN, which had 1990 mineral water sales of FFr8.7bn and FFr5.2bn respectively. Vittel, Nestlé's biggest mineral water subsidiary by far, had sales of only FFr1.9bn. Acquisition of Perrier, even without Volvic, would leapfrog Nestlé into a commanding lead in the business, with best-selling brands including Contrexéville and Vichy in France and Arrowhead, Great Bear and Poland Spring in the US.

Although sales of Perrier's best-known brand were hurt by a benzene scare in 1990, the mineral water market has continued to expand strongly, because of consumers' increasing concern with health and fitness.

It is also a highly profitable business: in the first half of this year, BSN earned an operating margin of 21 per cent on its mineral water activities.

It is less clear, however, whether Nestlé would want to keep Perrier's other main business, Caves de Roquefort, which distributes the famous blue cheese. Nestlé, which shed most of its cheese interests some years ago, should have no difficulty finding bidders for the business, which controls 80 per cent of the French roquefort market.

Obviously, the saga still has a way to run and any number of further surprises is possible.

Some analysts were suggesting yesterday that, if the Agnellis are serious about building up their European food interests, they may wish to avoid a showdown at this stage with a player as powerful as Nestlé and may seek a face-saving way out of their involvement with Perrier.

As things stand, a successful Nestlé bid may not leave the other parties involved too unhappy.

Saint Louis, regulators willing, would stand to make a FFr600m paper profit on its brief investment in Perrier, notwithstanding Nestlé's threat yesterday to take legal action to freeze Saint Louis's voting rights.

BSN would walk away with Volvic, while the longer-term prospect of taking control of BSN would remain open to the Agnellis.

Whether the significance of the recent convolutions lies chiefly in what they say about capitalism French-style, or whether they are a portent of the kinds of problems which may lie ahead for other, future, moves to restructure the European food industry, is quite another matter.

However, whatever direction developments take, it seems increasingly unlikely that Perrier will retain either its independence or its full range of existing business.

As one London stockbroker put it bluntly yesterday: "Perrier is a goner. It is part of history."

Additional research by Ian Rodger in Zurich

Lex, Page 20

Bankers braced for new £100m loan for WPP

By Robert Peston in London

BANKERS are braced to receive a demand for a new loan of up to £100m ($180m) from WPP less than a year after the $1bn debt of the world's biggest advertising group was rescheduled.

Bankers said they expected a formal request for new money from WPP in the next few weeks and admitted that some of the group's 40 banks may be outraged at having to provide the additional credit so soon.

But the biggest lenders are adopting a philosophical approach: "It is disappointing that the business appears to need new money", said one of the group's leading bankers. "But we are not pushing the panic button."

Another banker said the banks are only likely to provide the funds if WPP gives a commitment on a timetable for disposing of "non core businesses". But they are not expected to insist that WPP sells one of its two worldwide networks of advertising agencies, the JWT Group and Ogilvy Group.

"There is no doubt that WPP took on too much debt when it bought JWT and Ogilvy", said a banker. "But it would be disastrous to sell them, since they are its only businesses capable of generating significant earnings".

The bank lenders to WPP – led by the US banks J.P. Morgan and Bankers Trust, Barclays of the UK and Germany's Deutsche Bank – have been kept closely informed of the advertising group's progress since the rescheduling was completed in April. Price Waterhouse, the accounting firm, has been reviewing WPP's monthly management accounts on behalf of the banks.

The banks are aware that WPP's businesses have performed below budget since the refinancing. But one banker said: "It is encouraging that WPP has not breached its banking covenants [conditions of the loan]."

Nonetheless he expected that the company would make a formal request to its banks for a short-term facility of more than £50m later this month or in early February.

Advertising industry analysts highlighted possible disposals:

- Flotation on the Tokyo Stock Exchange of a minority stake in its Far Eastern advertising interests, which could raise up to £40m. Daiwa, the Japanese investment bank, is believed to have done preliminary work for a possible flotation.
- The sale of its US advertising agency, Scali McCabe Sloves.
- Sale of all or part of its successful market research subsidiaries – Millward Brown International, MRG Group and Research International.

Ratners halts preference dividends

By John Thornhill in London and **Karen Zagor** in New York

RATNERS GROUP, the struggling jewellery company, has suspended payments of all its preference dividends prompting a share price fall in London and a further credit downgrading in New York.

The move was foreshadowed nine days ago when Ratners said it was keeping preference dividend payments "under review" after it announced that it was likely to incur annual losses of £72m ($129m).

Ratners will conserve more than £25m by not paying the preference dividends but will have to roll up the payments and satisfy them before it can pay out any dividends on its ordinary shares.

Mr Quintin Price, retailing analyst at stockbrokers James Capel, said: "It is a defensive move to demonstrate that they are limiting the cash outflow and is inevitable in the context."

After recovering last week, Ratners shares fell back 2½p yesterday to close in London at 24½p.

In the US, both the Moody's and Standard & Poor's credit agencies reacted to the news by slicing their credit ratings.

Moody's cut its rating on Ratners' $250m Auction Market Preferred Stock (Amps) from BA3 to CAA - one of its lowest grades. A rating of CAA indicates that the issue is in poor standing and may be in danger of default.

Similarly, S&P gave the preferred stock a C rating, "which is almost our lowest rating on preferred stock".

Ms Suzanne Wolkenfeld, a senior analyst at Moody's, said the downgrade was almost inevitable after Ratners passed on its preferred stock dividend.

"This company has done valiantly on the cost side and has managed extremely well with the factors within its control," she said. "Cash management, for example, has been excellent."

But there is little Ratners can do to stimulate discretionary spending on jewellery during a recession, she added.

Ratners, which has recently strengthened the board through the appointment of Mr James McAdam as executive chairman, is talking to its banks on a regular basis. They recently declared their support and indicated that they would maintain their "close working relationship".

Thyssen Edelstahl decline slowed by cost-cutting

By Christopher Parkes in Bonn

JOB cuts and other cost-savings reduced annual losses at Thyssen Edelstahl last year by more than 50 per cent, Mr Karlheinz Rösener, chairman of the special steels subsidiary of the Thyssen group said yesterday.

However, since there were no firm signs of improvements in markets, he added, more economies would be needed this year.

The company was already making losses in the first quarter of the current year, he said, because of noticeable weaknesses in demand from machinery and motor car makers.

Sales in the year ended September 1991 fell 14 per cent to DM3.3bn ($2.08bn), producing a loss of DM63m, compared with a DM176m deficit last time on turnover of DM3.9bn.

Confirming a plan for the company to merge with Thyssen Stahl, part of the parent group, Mr Rösener hinted that when that was complete later this year, the group might resume "co-operation" talks in the special steels business with Krupp, another leading German maker.

A first round of negotiations was broken off just before Christmas.

Long products, mainly engineering steel, which account for 38 per cent of the company's sales and 56 per cent of volume deliveries, had suffered particularly badly from "recessive tendencies" which first hit the group in the middle of 1990. Turnover in the sector, which includes stainless and tool steels, fell 22 per cent during the year.

Prices of steel for construction and ball-bearings fell by up to 10 per cent.

Economies last year included an 8 per cent reduction in the workforce, halving overtime hours worked, short-time in some plants and the retraining and transfer to other Thyssen group companies of 256 people.

Thyssen Edelstahl was currently reducing costs in central administration by about 30 per cent, Mr Rösener said, and more job losses were inevitable this year.

Industry shake-up opens airways over new Europe

Modernisation and western alliances are transforming airlines east of the Elbe, writes Anthony Robinson

THE emergence of Air France as leader of a consortium to buy a 40 per cent stake in Ceskeslovenske Aerolinie (CSA), the Czechoslovak national airline, has heated up the competition to restructure the air transport industry from the Elbe River to the Pacific Ocean.

With an eye on the potential for rapid business and tourist traffic growth in central Europe, western airlines and aircraft manufacturers are seeking new partners and new customers.

Significantly, the CSA announcement coincided with confirmation from Polskie Linie Lotnicze (LOT), the Polish state airline, that it had disposed of the bulk of its Soviet-built aircraft fleet to Air Ukraine, one of a number of new national airlines emerging from the parallel dissolution of Aeroflot and the Soviet Union.

Mr Bronislaw Klimaszewski, LOT president, has consistently made clear his belief that the Polish company, the largest of the central European airlines, would have to dispose of its fleet of Soviet-built aircraft before being able to attract a foreign partner. Warsaw, with its soon-to-be-completed air terminal, is competing with Prague and Budapest to become the leading hub airport for east and central Europe. One, or a series, of new hub airports in the centre of the continent will be needed to relieve pressure on overcrowded west European air space. Which location emerges as the most important hub will depend largely on the choice of foreign partner and the sort of traffic volumes it can generate.

LOT's success in selling its seven long-range Ilyushin-62s and 10 virtually obsolete Antonov-24 short-haul turbo-jets to the fledgling Ukrainian airline has gone a long way toward improving LOT's chances of finding a western partner. It is left with 14 medium-range Tupolev-154s and a handful of smaller Tu-134s still to sell.

The emergence of new national airlines in the former Soviet Union provides a unique chance to off-load thirsty, obsolescent and sometimes dangerous Soviet-built aircraft. The only alternative market is China, which also flies large numbers of Soviet aircraft and is used to the problem of obtaining, and often re-working, ill-fitting spare parts for engines and airframes.

LOT has held preliminary talks with a number of western airlines, including Air France, Lufthansa and El Al, and has also partially re-equipped with leased western aircraft. It flies two Boeing 767s on its transatlantic route with another to be delivered soon.

After cancelling a deal to acquire aircraft from McDonnell Douglas, LOT recently signed a $300m contract for nine Boeing 737s to renew its short-range fleet for European routes. It is also taking delivery of eight Franco-Italian ATR-72 turboprops to complete its fleet of all-western aircraft.

LOT's search for a western partner is mirrored by Malev, the Hungarian national airline which already operates out of a smart new airport in Budapest. Malev, which reported a $15m profit last year, already leases three Boeing 737-200s and one BA-146. It also recently re-painted and re-furbished to western standards the interiors of its current fleet of 12 Tu-154s and six Tu-134s. Malev's search for a foreign partner is being orchestrated by Credit Suisse First Boston.

Which location emerges as the most important hub will depend largely on the choice of foreign partner and the sort of traffic volumes it can generate

But it is in the former Soviet Union itself that some of the biggest changes are happening, both in the airline and the aircraft industries. Aeroflot, which has a fleet of over 3,000 fixed-wing passenger and transport aircraft, flies more than 132m passengers annually. But growing shortages of aviation fuel and a rapidly-ageing fleet are now causing havoc.

Although perceived as a highly-centralised operation, Aeroflot has actually long operated as a series of linked operating companies. It is now splitting into a plethora of independent national airlines, and faces the prospect of competition on internal routes for the first time.

Last year, British Airways took a 31 per cent stake in a joint venture with the international division of Aeroflot to create Air Russia.

It will lease extended-range Boeing 767 aircraft and build a new international terminal at Moscow's Domodedovo airport.

Hitherto a domestic terminal of legendary overcrowding and inefficiency, Domodedovo will become a new hub for inter-continental traffic between Europe and North America and destinations in south-east and east Asia.

Typically, aircraft would leave London, Paris, Frankfurt and other European cities for the relatively short flight to Domodedovo. The flights would all arrive within minutes. Passengers would then board ongoing flights to Seoul, Singapore, Tokyo or Bangkok. Later in the day, passengers arriving on the long-haul leg from Asian capitals would transfer to the same European destinations.

British Airways is investing a modest £20m in the scheme. All the aircraft will be leased, but maintained by BA. Most of the airline's income will be in hard currency, its main attraction for the Russian shareholder.

Shortage of foreign currency, and the looming foreign debt crisis, places a big question mark over Aeroflot's ability to buy more western aircraft or allow domestic aircraft producers to re-equip with more fuel-efficient western engines.

The slowdown in the Soviet economy, where production fell by an estimated 15 to 20 per cent last year, has been reflected in further delays in the production of the planned new generation of Soviet passenger aircraft. The main aircraft needed by Aeroflot is the Tupolev 204, to replace the ageing medium-range Tu-154 tri-jets, and the Ilyushin 96, which is meant to be the replacement for the Ilyushin-62, which came into service in the early 1960s.

Abolition of the former central ministry, which dealt with aircraft procurement, has lead to transformation of the major design bureaux – Tupolev, Ilyushin, Mikoyan (Mig), Antonov and Yak – into production companies. Hitherto, the design bureaux competed to produce plans for military or civilian aircraft. But actual production was contracted out to the several hundred aircraft component and assembly plants which frequently assembled different models at the same plant.

In theory, there is enormous potential for joint ventures between western engine and airframe manufacturers and their Soviet counterparts, whose often brilliant design teams have been handicapped up until now by Cocom restrictions on the transfer of western technology.

But without western financing on a heroic scale, many of the co-operation agreements and joint ventures discussed in recent years seem destined to tread water until broader agreement is reached at government level on future economic and financial relations between the west and the former Soviet Union.

Baer Holding profits rise 25% to SFr60m

By Ian Rodger in Zurich

GROUP net profits of Baer Holding, the Zurich-based parent company of the Julius Baer banking group, rose 25 per cent to SFr60m ($42.5m) in 1991.

Gross income increased 8 per cent to SFr397m, with all business sections contributing to the result, the group said. Operating expenses rose 5 per cent to SFr276m, resulting in a gross profit of SFr121m, up 17 per cent.

Cash flow climbed 24 per cent to SFr104m, but depreciation and provisions were also up 23 per cent.

At the year-end, total assets stood at SFr5.7bn while published equity was up 7 per cent to SFr601m.

Bank Julius Baer's net profit jumped 20 per cent to SFr42m last year. Total assets grew 2 per cent to SFr4.4bn. After payment of a SFr26.3m dividend to its parent company and allocations to reserves, published equity stood at SFr386m.

● Ares-Serono, the world's leading producer of human fertility drugs, said its sales in 1991 rose 15 per cent to $751m.

Pharmaceutical sales advanced 15.5 per cent to $625.2m, with sales in each of the Geneva-based group's three main therapeutic areas rising by almost 20 per cent.

Sales of over-the-counter products jumped 32.6 per cent to $19.1m.

Cementia sees 'similar' half

By Ian Rodger

CEMENTIA, the Swiss sub-holding company in the Lafarge Coppée cement group, expects net income in the second half of last year to be "similar" to the SFr38.1m ($27m) reported in the first half.

That would indicate a slight improvement on the SFr73m in net income recorded in 1990.

"This is a considerable achievement in view of performances of other companies in our sector," Mr Ernst Schneider, who became chairman on January 1, said in a letter to shareholders.

The growth was achieved as a result of restructuring in the US and strong performances in the Indian Ocean area and in Austria and Kenya.

Due to bleak market conditions in Ontario, Lafarge Corp of the US, in which Cementia has had an 11 per cent holding since a restructuring of Lafarge interests in North America last June, will suffer a full year loss. However, due to a positive result in the second half, it will make a contribution to Cementia's profits.

● Von Roll, the Swiss steel and engineering group in which Proventus, the Swedish investment house, bought a 22.8 per cent stake last month, said on Friday in a preliminary statement that it suffered a loss in 1991.

Von Roll warned last summer that it expected a sharp drop this year in consolidated net income from the SFr58m earned in 1990.

It said that its reverse was due to the severe recession in the Swiss building industry as well as a marked downturn among all steel products and problems in its Isola wire subsidiary. It did not give a specific figure for the loss but said consolidated sales dropped 6.7 per cent to SFr2.3bn. New orders tumbled 13.7 per cent to SFr2.3bn.

● Group first-quarter sales at Landis & Gyr rose 15 per cent and order intake remained strong, Mr Willy Kissling, chief executive, said at the Swiss building and energy controls and telecoms equipment group's annual press conference.

However, the directors expected that growth in turnover and profits would be somewhat lower than the very high levels achieved last year.

Salomon back in the black

SALOMON, the French sporting goods group, returned to profit in the six months ended September, 1991, Reuter reports from Paris. The company plans to seek a listing on the Tokyo Stock Exchange for its Japanese subsidiaries.

The company said JAFCO, a leading Japanese venture capital company, had acquired 10 per cent of Salomon's Japanese subsidiaries. JAFCO will partner Salomon in the listings project. Salomon said the listing was expected over the next three to five years.

Net profit for the six months amounted to FFr10.7bn ($1.98bn), compared with a loss of FFr190.2m in the same period a year before. The accounts for the full year will also be in the black, it said.

Volvo and Renault in co-ordination plan

VOLVO, the Swedish car maker, plans to co-ordinate component planning and product development with the French Renault group over the next 10 to 12 years, AP-DJ reports from Stockholm.

The co-ordination programme is part of the alliance between Volvo and Renault. The programme, which covers production of light trucks as well as engines, gear boxes and other components, is expected to save Volvo between SKr350m ($60m) and SKr400m in 1992, Mr Christer Zetterberg, Volvo chief executive said.

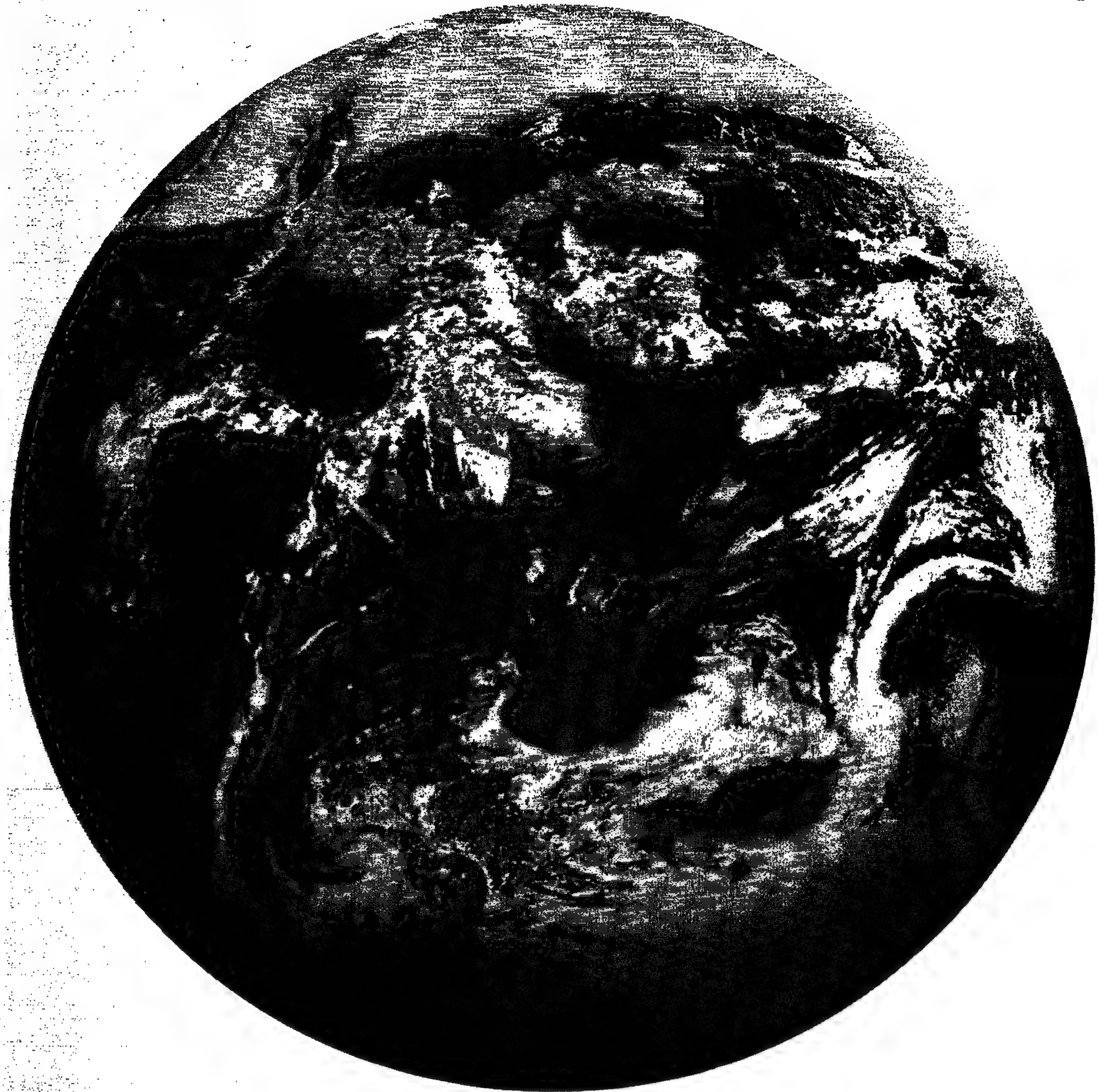
"The earlier estimates of savings of SKr2bn a year from 1995 onwards through co-ordination with Renault have been adjusted upwards," he said.

He also confirmed that the cut in Volvo's workforce will total 11,000 employees by the end of 1992. To date, about 8,000 employees have been made redundant since 1990, with 7,000 job losses in Sweden and 1,000 abroad.

"The majority of the 3,000 redundancies in 1992 will occur abroad," he said.

He emphasised the reductions in 1992 are the consequence of earlier measures and did not represent new or additional redundancies.

Volvo Personvagnar, the group's passenger vehicle unit in Sweden, said it would cut production of its 960 model by 2,000 cars in the spring.



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Upjohn hits back at critical report on Halcion sleeping pill

By Alan Friedman in New York

UPJOHN, the Michigan-based pharmaceuticals company that manufactures Halcion, the world's most widely prescribed sleeping pill, yesterday denied a report that for several years it concealed data from the US Food and Drug Administration (FDA) showing it caused serious psychiatric side effects.

The debate over Halcion, underway for the past two years, has been ignited in recent months following the decision last October by UK health authorities to ban sales in Britain.

Consumer activists in the US have been campaigning for the FDA to ban Halcion in the US, but the FDA at present is merely reviewing the safety of the drug. Halcion is sold in 89 countries.

Since the UK ban last October, Upjohn's share price has declined by more than 11 per cent. Yesterday, trading in Upjohn stock was delayed after a report in the New York Times quoted critics of the company claiming the drug's side-effects had been concealed by the company. At lunchtime, Upjohn's share price was down by $1⅛ to $41¾.

Halcion is Upjohn's second largest selling product, with estimated 1991 sales of $260m worldwide.

The company has taken an aggressive stance with its critics, an example of which was its announcement yesterday that it planned to bring a lawsuit against Dr Ian Oswald, a Scottish psychiatrist who alleged Upjohn failed to adequately report all the side-effects it found with Halcion.

Dr Theodore Cooper, chairman of Upjohn, yesterday issued an angry statement, saying: "These repeated false and reckless charges of fraudulent concealment by Dr Oswald cannot and will not be condoned." The Upjohn chief claimed the New York Times had been misled about Halcion, and said regulatory agencies around the world had also been misled.

Apart from suing critics, Upjohn has lodged an appeal against the UK decision to suspend sales.

Last November, the company tried to defuse criticism of Halcion by saying it would package the drug in smaller quantities and include inserts advising patients of side-effects. This was deemed insufficient by the Public Citizen Health Research Group, which was founded by Mr Ralph Nader, America's most prominent consumer rights advocate.

In December, French authorities suspended sales of the high-dose form of Halcion, a decision Upjohn said it would appeal.

Earlier this month, Spain also suspended high dose sales of the drug.

Late last year, the European Community's Committee for Proprietary Medicinal Products (CPMP) supported the Halcion labelling and packaging changes and stressed the "absolute importance" of short-term use of the drug.

In New York, Mr Viren Mehta, a drug industry analyst, said the Halcion debate underscored the case of "those who feel the FDA tends to take too long to respond to possible health threats".

First global decline in sales of computers

By Louise Kehoe in San Francisco

WORLD COMPUTER sales revenues declined last year for the first time, according to a market research study of the industry.

Sales revenues in the personal computer, minicomputer and mainframe segments of the market dropped sharply, while workstation and supercomputer sales grew.

Dataquest of the US revealed that total computer revenues were down 7.3 per cent in 1991, compared with the previous year.

"The computer systems industry ran into two very high hurdles in 1991: the negative state of the worldwide economy and the mammoth organisational structures many vendors were supporting," said Ms Nancy Stewart, senior industry analyst.

The industry's largest companies, such as International Business Machines, Digital Equipment and Unisys, are restructuring their operations to cut costs. "In the face of this maturing market, we can expect to see further cost-cutting measures and restructuring from vendors in 1992," said Ms Stewart.

Total industry revenues, measured in terms of factory revenues (the prices charged by manufacturers before third party distributors add their margins), were $109.7bn in 1991, down from $119bn.

Sales of personal computers were down more than 8 per cent, from $49.9bn in 1990 to $45.7bn last year. IBM lost market share, while Apple Computer, NEC, Compaq Computer and Olivetti gained market share.

Mainframe computer revenues fell to $26.9bn from $30.6bn in 1990. Sales of mid-range computers, including minicomputers also declined, from $29bn in 1990 to $24.5bn last year. There was, however, growth in the workstation segment, albeit at a much lower rate than in previous years. Revenues for 1991 were $8.8bn, up from $7.6bn the previous year.

Brazil's sell-off gathers pace as field widens

Christina Lamb examines the country's programme of two-a-month privatisations

THE heads of Brazil's big state enterprises appear at last to be developing a taste for privatisation. The announcement last week that Embraer, the state aerospace company, would be privatised this year prompted a complaint from the president of Acominas, a state steel mill, that it would delay the sale of his company.

Such a pro-privatisation attitude from within Brazil's enormous state machine shows how much feelings have changed since the programme's inauspicious beginning in September. It then faced a barrage of legal objections and violent protests attempting to block the sale of Usiminas, the continent's largest steel mill.

The fact that Usiminas finally went under the hammer in late October is a tribute to the perseverance of Mr Eduardo Modiano, president of the National Development Bank (BNDES), who is co-ordinating the programme. Three months and 30 lawsuits on, he can now relax, having just completed his sixth sell-off and the first without any legal controversy.

"Privatisation has caught on," he says. "Had we not started with Usiminas, we'd still be having legal questions. As it was, we had to deal with them all in one go."

So confident is Mr Modiano of Brazil's new acceptance of privatisation, the government is issuing weekly decrees expanding the programme.

Already 22 sales are scheduled for this year, including Embraer and Lloyd Brasileiro, the state aerospace and shipping companies, and Mr Modiano is working on the inclusion of ports and railway concessions. He has even dared mention the sale of Petrobras, one of the last bastions of nationalism.

FORTHCOMING PRIVATISATIONS		
Company	Sector	Date
Indag	Fertiliser	January 23
Piratini	Steel	February 12
Goiasfertil	Fertiliser	February 19
Franave	Navigation	March 12
Petroflex	Petrochem	March 18
Enasa	Navigation	April
Arafertil	Fertiliser	April
Copesul	Petrochem	May 14
Tubarao	Steel	June
Caraiba	Copper mining	June
ADDITIONAL PRIVATISATIONS		
Embraer	Aerospace	
Cosipa	Steel	
CSN	Steel	
Acominas	Steel	
Lloyd Brasileiro	Navigation	
RFFSA*	Railways	

* Expected to be announced. Source: BNDES

Although each of the companies sold so far has raised above the minimum price, financial targets have been radically reduced.

Instead of the $18bn Mr Modiano was originally aiming at by the end of 1992, he hopes to raise $3.4bn this year to add to last year's $1.7bn.

Even these figures are misleading as most purchasers are using government debt, swapped at par, even though creditors had long since thought it would never be honoured.

The main problem is the almost complete lack of foreign interest, frightened off by the fiasco surrounding Usiminas. Mr Modiano says: "The only solution is doing what we're doing – going ahead no matter what and eliminating disincentives to foreign capital."

Thus, though the limit on foreign capital remains at 40 per cent and the discount rate for external debt conversion at 25 per cent, shares no longer have to be held for two years and the money no longer has to stay in the country 12 years. The participation of Brazilian state pension funds in the auctions, which had led to fears of continuing state control, has been limited to 25 per cent.

Although Mr Modiano admits Brazil's continuing economic volatility remains a deterrent, he believes one problem was that his first sales were in the steel sector which holds little attraction.

He points out that the announcement of the sale of Embraer has already led to overseas enquiries.

Once petrochemical companies go on sale in March, Mr Modiano says "the tide will turn". He achieved an important victory with the presidential decree forcing Petroquisa, the petrochemical arm of Petrobras, to sell all but 15 per cent of its share in each of the sector's companies.

Petrobras directors had been lobbying hard to retain 33 per cent which, says Mr Modiano, shows, "the interests of Petrobras are no longer necessarily the interests of the sector".

Although Mr Modiano would obviously relish the sale of Petrobras (requiring a constitutional revision), he says: "I don't want to jeopardise the sale of the manufacturing sector by dwelling too much on this."

Benefits of privatisation are already obvious. Freed from state control and able to compete more aggressively, Usiminas has increased market share, which explains the sudden interest in privatisation from the president of Acominas.

Mr Modiano admits that in some cases the eagerness is because state companies, many of which are loss-making, think they will get cash injections. But he warns: "We will put no money in – we will not repeat 1987 when BNDES put $3bn to $4bn in the steel sector to prepare for privatisation and it just disappeared". His team is hard at work, however, restructuring debt.

The old state mentality is not yet dead. The Air Ministry wants the government to retain a golden share when it sells Embraer to ensure that supply to the Brazilian air force is not affected.

Mr Modiano says "if I do that, everyone will want one believing it is their last link to Treasury coffers".

He points out that when Celma, an aircraft-maintenance company was sold, the ministry had a list of 10 items they considered strategic, which he reduced to one. "In the case of Embraer, they will probably have three pages of things, but they will get only limited and temporary protection."

For the privatisation of ports, Mr Modiano has found an unusual ally in the form of state governments. Brazilian ports are still governed by 1937 legislation which protects labour and results in costs which are among the highest worldwide.

"We first need to modernise the legislation or no one will buy," he says.

He also hopes to take advantage of a constitutional revision due next year to lobby for the privatisation of Telebras, the telecommunications company, which, he says, urgently needs new investment and "could raise more than the entire manufacturing sector". In the meantime, with an average of two sell-offs a month, he has plenty to occupy him.

Blockbuster's after-tax profits boosted by 36%

By Nikki Tait in New York

BLOCKBUSTER Entertainment, the fast-growing but sometimes controversial US video rental group, lifted 1991 after-tax profits by 36 per cent to $93.7m, but saw only modest growth in same-store rental revenue.

In the fourth quarter alone, net profits were up by 37 per cent, at $29m, while earnings per share were 17 cents, against 13 cents. This was roughly in line with brokers' estimates although the shares eased ⅛ to $13⅞ yesterday.

Blockbuster, which is attempting to acquire Britain's Citivision and in which Philips Electronics of the Netherlands has a small investment, has expanded rapidly during the year.

It has added 446 stores, taking the total to over 2,000. About half of these are company-owned and the rest run on a franchise basis.

This was reflected in the substantial overall revenue growth, up by 34 per cent to $1.52bn for the year. But same-store revenue for company-owned stores which have been open for over a year, rose by only 7.7 per cent. Within this figure, same-store rental revenues rose by 4.9 per cent.

Mr Wayne Huizenga, Blockbuster's chairman and also a founding partner in Waste Management, the waste disposal business, claimed the company was pleased with the figures, "given the generally difficult economic condition-swhich affected retailing during the year".

Sharp fourth quarter fall at Bowater

By Martin Dickson in New York

BOWATER, a leading US manufacturer of newsprint, yesterday reported a sharp drop in fourth-quarter net income because of the US economic downturn, but said it saw some encouraging signs for the second half of 1992.

Net income in the period fell to $1.6m, or 2 cents a share, from $18.3m, or 48 cents, on sales down to $326m from $353m. Full-year income totalled $45.6m, down from $78.4m in 1990.

Mr Anthony Gammie, chairman, said the most important factors behind this were falling prices for all major product lines over the past few quarters and stoppages in the final period to control newsprint inventories.

He added there was as yet no apparent pick-up in the economy of the kind needed to improve newspaper advertising demand and thus newsprint prices.

However, he said encouraging signs included an apparent end to the decline in newsprint consumption and major capacity closings by the Canadian industry.

Rand's Barnbrook mine likely to be closed

By Philip Gawith in Johannesburg

SATISFACTORY performances during the December quarter by the four operating gold mines in the Rand Mines group were spoilt by the announcement that the fledgling Barbrook mine will almost certainly have to be closed.

Barbrook's directors said in a statement yesterday that there was no point in continuing the care-and-maintenance programme which had been in effect since the mine ceased operating at the end of 1990. The mine only came into operation in 1987 and had been expected to have a life of about 50 years.

The directors said that, given a lower grade of ore than expected and a higher cost structure, the mine would not be re-opened. Care-and-maintenance was futile in the absence of an offer for the mine or its assets from a third party.

Rand Mines, Barbrook's controlling shareholder, has said that, failing any such offer before the end of January, it would have to consider applying for the winding-up of the company.

For the Rand Mines gold producers as a whole, net profits fell by nearly 7 per cent to R25m ($8.9m) after a 44 per cent rise in the tax bill.

Operating profits were marginally ahead following a reduction of costs and an improvement in productivity.

With an average underground cost of production of R31,596 per kg, compared with the prevailing gold price of about R32,000 per kg, the group's gold operations remain highly marginal. Profits remain dependent on forward selling, which helped secure an average gold price during the quarter of R33,591 per kg.

The bulk of profits came from Harmony, the group's largest mine, which produced an after-tax profit of R18.3m, down from R19.9 in the previous quarter.

Although Durban Deep managed to lift gold production and reduce costs, a lower gold price and tax payments saw profits drop to R3.5m from R5.1m.

Profit at Blyvooruitzicht dropped to R5.1m from R7.6m, while ERPM made a R1.9m loss, a considerable improvement over the previous quarter's R5.7m loss. The mine remains heavily burdened by large borrowings, with a R9.3m operating profit wiped out by a R13.4m interest payment.

Shun Tak buys Ho gaming stake

By Simon Holberton in Hong Kong

MINORITY shareholders in Shun Tak Holdings, the Hong Kong listed vehicle of Mr Stanley Ho, the Macau gambling magnate, yesterday approved the purchase of a 5 per cent stake in Sociedade de Turismo e Diversoes de Macau (STDM), the holding company for Mr Ho's gambling interest in the Portuguese colony.

Shun Tak will pay HK$233m (US$30m) for the STDM stake, giving investors their first opportunity to buy into what is regarded as one of the world's most profitable casino operations.

Shun Tak's share price eased 2.5 HK cents yesterday to close at HK$4.80.

Shun Tak, a diversified company, runs a jetfoil service between Hong Kong and Macau, and has interest in restaurants, hotels, aviation and property.

In 1991, it made a profit after tax of $HK171m.

The addition to its portfolio of an interest in STDM could well be the jewel in its crown. Mr Ho, together with other Hong Kong investors, has held a monopoly on gambling in Macau since 1962; in 1986, STDM's monopoly was extended until 2001.

STDM is a private Macau company and does not have to publish accounts. But in documents presented to minority shareholders by Wardley Corporate Finance, STDM said it had shareholders' funds of HK$7.77bn at end-1991 and had paid dividends to shareholders over the three years 1988 to 1990 of $HK210m, $HK300m, and $HK420m.

Details of New York life insurer's rescue due today

By Nikki Tait

THE NEW York Insurance Department is due to set out its plans for Executive Life of New York later today. Speculation that Metropolitan Life will acquire a sizeable block of the life insurer's business is already rife.

MetLife, the nation's second largest insurance group, declined to comment ahead of the insurance regulator's formal announcement.

Shortly after the insurer was seized by the NY Insurance Department in April, a group of insurance companies, headed by MetLife, stepped forward to help manage the business and advise the department. At that stage, however, no formal offer to buy the operation was made.

ELNY was the smaller of two operating units within the Los Angeles-based First Executive group. The larger unit, Executive Life of California, was also seized by regulators after its heavy junk bond exposure prompted a policyholder run. It has since been "rescued" by a French consortium.

ELNY, which has around 103,000 policyholders and certificate-holders, was always thought to be in better shape, and at the outset the insurance department's stated aim was to rehabilitate the business.

Melbourne bank plunges into the red

By Bruce Jacques in Melbourne

BANK OF Melbourne, one of Australia's newest licensed banks, plunged into the red in the December half, reflecting its exposure to the Occidental/Regal life insurance crash.

The bank yesterday disclosed it had suffered a loss of A$21.1m (US$15.5m) in the half, against a A$13.1m profit last time. The loss followed a A$65m pay-out to the judicial manager of the two life companies after the bank settled a prolonged legal action.

The pay-out was the main factor in a A$39.7m abnormal loss for the half which more than offset a 38.3 per cent lift in operating profit from A$22m to A$30.4m, struck after lifting bad and doubtful debt provision from A$8.5m to A$9.1m.

Mr Chris Stewart, Bank of Melbourne chief executive, said that while the insurance-related pay-out was a large sum, it had to be seen in perspective. The effect of the payments would be fully absorbed this financial year.

Non-accrual loans eased from A$32.8m to A$32.5m. The operating result followed a A$13.5m tax credit against a A$8.8m charge previously.

Lay-offs at GM Canada plant

By Bernard Simon in Toronto

GENERAL Motors' Canadian subsidiary is indefinitely laying off 9 per cent of the workforce at an engine plant in St Catharines, Ontario, as a result of the continuing weakness in the North American car and truck market.

A GM official said yesterday that the lay-offs, affecting 750 workers, are not directly related to the long-term belt-tightening programme announced by Mr Robert Stempel, GM chairman, last month.

He said they reflected declining production volumes at the plant, which is located 50 miles south-west of Toronto.

The St Catharines facility, which employs a total of 8,000 people, produces V6 and V8 engines as well as transmission components, castings and other parts. About 75 to 80 per cent of its production is exported to the US.

As many as 1,700 workers at St Catharines have been affected by temporary lay-offs in recent weeks. The lay-offs will take effect on March 1.

A GM assembly plant at Oshawa, east of Toronto, employing over 3,000 workers, is among those threatened with closure under the restructuring announced by Mr Stempel. A decision on the plant's fate is expected within the next month or two.

CanPac unit to raise C$225m

By Robert Gibbens in Montreal

CANADIAN Pacific Forest Products is raising C$225m (US$193.90m) with an equity issue sold partly to the public and partly to its parent, Canadian Pacific.

CPFP, one of Canada's top three pulp and paper groups, is issuing a total 8.5m new shares at C$26.50 each. About 6.8m will be sold to the public and 1.7m to CP Enterprises, a CP financing subsidiary.

Analysts expected a receptive market. CPFP stock closed Friday at C$27.50, against a 52-week low of C$22.25 and a high of C$35.

Last week, the company said it was shutting down a loss-making paper mill near Montreal and also two older machines at its big New Brunswick newsprint mill.

Although it will post a heavy loss for the final quarter of 1991, its fortunes should improve in 1992 and a return to profitability is expected in 1993.

The C$225m will make up an expected shortfall in 1992 cash-flow.

CPFP is spending C$300m on completing modernisation at its other mills in north America and on two newsprint de-inking plants in Quebec and Ontario.

Correction

European Top 500

In the FT survey on the European Top 500 companies published on January 13 1992, the profit figures for Banco de Santander (ranked 82nd) were incorrect. These should read: Profit this year US$903.9m, Profit last year $764.4m, Percentage change 18.2.

In addition, the turnover and employee figures for Southern Electric in the European Top 500 and the UK Top 500 were incorrect. These should read:

European Top 500 (rank 294)
Turnover this year $2,667.8m; Turnover last year $2,513.9m, Percentage change 6.1, Employees 8,350.

UK Top 500 (rank 121)
Turnover this year £1,546.0m, Turnover last year £1,456.8m, Percentage change 6.1, Employees 8,350.

C$50m for Quebecor

QUEBECOR, the North American printing and publishing group, has raised C$50m by private placement of 2m units at C$26 a share with BBN James Capel, writes Robert Gibbens. Each unit comprises one Quebecor class B subordinate voting shares and one half warrant.

A full warrant entitles the holder to buy one Quebecor Class B share at C$28.

WI Shipping suspends operations

By Canute James in Trinidad

WEST INDIES Shipping Corporation (Wisco) has suspended operations after the seizure of two of its vessels for unpaid bills.

The line, owned by the governments of the Caribbean Community (Caricom), was being prepared for privatisation when it cancelled its schedule. Government officials say efforts will be continued to sell the company to private business in the Caribbean.

The shutdown will adversely affect the Caribbean Community's efforts to increase intra-regional trade. Wisco traditionally carried over 80 per cent of the goods traded among Caricom members.

Mr Charles Pennycooke, general manager of the company, said the line's recent troubles were caused by the failure of the shareholders to pay over US$7.5m which they had committed to the company.

One vessel was impounded in Miami because of outstanding payments of $95,000 for leased containers, while another was impounded in Antigua because of overdue payments of $80,000 in agent fees. The vessels were released after shareholders provided $250,000 to settle outstanding bills. The line's third vessel is under mandatory docking in Trinidad.

The shareholding governments agreed six months ago to pay off the outstanding liabilities of the company so that it could be sold. The company has, however, received only a half of the promised funds, including the recent payments to secure the release of the impounded vessels.

United Tech to cut costs

By Martin Dickson

UNITED Technologies, the US aerospace, automotive and building products group, is expected to announce details today of a major restructuring, designed to cut $1bn from the group's costs.

UTC, which has been hard hit by the US recession and the Pentagon's declining defence equipment budget, will also announce losses for the fourth quarter and full 1991 year.

UTC announced last November that it would have to take a large restructuring charge in the fourth quarter, mainly due to a programme to cut $1bn from annual costs by the end of 1993, and that this would push into losses both for the quarter and the year.

Analysts are speculating that the move could involve major reorganisation at its Pratt & Whitney aero-engine business, which has already introduced a voluntary severance and retirement programme.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, January 20, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	55.4159	34.7027	44.8081
Albania	(Lek)	10.3680	5.7889	3.6251	4.6808
Algeria	(Dinar)	39.3165	21.9522	13.747	17.7501
Andorra	(Fr Fr)	9.7525	5.4452	3.4099	4.4029
	(Sp Peseta)	180.65	100.865	63.1643	81.5575
Angola	(Kwanza)	344.45	192.323	120.437	155.508
Antigua	(E Carr $)	4.8560	2.7113	1.6979	2.1923
Argentina	(Austral)	1.7795	0.9935	0.6222	0.8033
Aruba	(Florin)	3.2195	1.7975	1.1256	1.4534
Australia	(Aus $)	2.3955	1.3375	0.8375	1.0814
[illegible]					
Equat'l Guinea	(CFA Fr)	487.60	272.25	170.49	220.135
Ethiopia	(Ethiopian Birr)	3.6970	2.0642	1.2926	1.669
Falkland Is	(Falk £)	1.00	0.5583	0.3496	0.4514
Faroe Is	(Danish Kroner)	11.0650	6.1781	3.8688	4.9954
Fiji Is	(Fiji $)	2.6980	1.5064	0.9433	1.218
Finland	(Markka)	7.7575	4.3313	2.7124	3.5022
France	(Fr)	9.7525	5.4452	3.4099	4.4029
Fr Cty/Africa	(CFA Fr)	487.60	272.25	170.49	220.135
Fr. Guiana	(Local Fr)	9.7525	5.4452	3.4099	4.4029
Fr. Pacific Is	(CFP Fr)	176.10	98.3249	61.5734	79.5033
Gabon	(CFA Fr)	487.60	272.25	170.49	220.135
Gambia	(Dalasi)	15.9885	8.9271	5.5903	7.2182
Germany	(D-Mark)	2.8600	1.5968	1	1.2911

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	700.00	390.843	244.755	316.027
Gibraltar	(Gib £)	1.00	0.5583	0.3496	0.4514
Greece	(Drachma)	329.50	183.975	115.21	148.758
Greenland	(Danish Krone)	11.0650	6.1781	3.8688	4.9954
Grenada	(E Carr $)	4.8560	2.7113	1.6979	2.1923
Guadaloupe	(Local Fr)	9.7525	5.4452	3.4099	4.4029
Guam	(US $)	1.7910	1	0.6262	0.8085
Guatemala	(Quetzal)	9.9020	5.5287	3.4622	4.4704
Guinea	(Fr)	1460.90	815.69	510.804	659.549
Guinea-Bissau	(Peso)	8992.50	5020.94	3144.23	4059.82
[illegible]					
Morocco	(Dirham)	14.86	8.297	5.1958	6.7088
Mozambique	(Metical)	3397.90	1897.21	[illegible]	1534.04
Namibia	(S A Rand)	4.9910	2.7867	1.7451	2.2532
Nauru Is	(Australian $)	2.3955	1.3375	0.8375	1.0814
Nepal	(Nepalese Rupee)	76.7960	42.8788	26.8517	34.6708
Netherlands	(Guilder)	3.2225	1.7992	1.1267	1.4548
N'nd Antilles	(A/Guilder)	3.2195	1.7975	1.1256	1.4534
New Zealand	(NZ $)	3.3062	1.846	1.156	1.4926
Nicaragua	(Gold Cordoba)	8.9925	5.0209	3.1443	4.0598
Niger Rep	(CFA Fr)	487.60	272.25	170.49	220.135
Nigeria	(Naira)	16.9775	9.4793	5.9361	7.6647
Norway	(Nor. Krone)	11.2075	6.2576	3.9187	5.0598
Oman	(Rial Omani)	0.6915	0.386	0.2417	0.3121

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	43.95	24.5393	15.3671	19.8419
Panama	(Balboa)	1.7910	1	0.6262	0.8085
Papua New Guinea	(Kina)	1.7255	0.9634	0.6033	0.779
Paraguay	(Guarani)	2353.75	1314.21	822.99	1062.64
Peru	(New Sol)	1.73	0.9659	0.6048	0.781
Philippines	(Peso)	46.25	25.8235	16.1713	20.8803
Pitcairn Is	(£ Sterling)	1.00	0.5583	0.3496	0.4514
	(NZ $)	3.3062	1.846	1.156	1.4926
Poland	(Zloty)	20186.0	11270.8	7058.04	9113.32
Portugal	(Escudo)	245.95	137.326	85.9965	111.038
[illegible]					
Vanuatu	(Vatu)	199.00	111.111	69.5804	89.8419
Vatican	(Lira)	2154.25	1202.82	753.234	972.573
Venezuela	(Bolivar)	108.75	60.7202	38.0244	49.097
Vietnam	(Dong)	21671.90	12100.4	7577.59	9784.15
Virgin Is-British	(US $)	1.7910	1	0.6262	0.8085
Virgin Is-US	(US $)	1.7910	1	0.6262	0.8085
Western Samoa	(Tala)	4.3446	2.4257	1.519	1.9613
Yemen (Rep of)	(Rial)	23.2905	13.0041	8.1435	10.5148
Yemen (Rep of)	(Dinar)	0.8363	0.4669	0.2924	0.3775
Yugoslavia	(Dinar)	36.8855	20.5999	12.897	16.6525
Zaire Rep	(Zaire)	117000.0	65326.6	40909.1	52821.7
Zambia	(Kwacha)	163.65	91.3735	57.2202	73.8826
Zimbabwe	($)	9.0735	5.0661	3.1725	4.0963

Special Drawing Rights January 17, 1992 United Kingdom £0.788688 United States $1.38612 Germany D Mark 2.25245 Japan Yen177.215
European Currency Unit Rates January 17, 1992 United Kingdom £0.714498 United States $1.25573 Germany D Mark 2.03993 Japan Yen160.821

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar.
Some data supplied by Bank of America, Economics Department, London Trading Centre Enquiries: 071 634 4360/5.
Monday, January 20, 1992

INTERNATIONAL CAPITAL MARKETS

Japanese issues slide on exchange intervention

By Richard Waters

INTERVENTION in the foreign exchange markets on Friday to push up the yen in favour of the US dollar duly showed through in the Japanese government bond market yesterday.

The short upward swing in bond yields, which had accompanied the weakening yen as the week progressed, turned down smartly again. From Friday's close of 5.345 per cent, the yield on the benchmark No 129 opened at 5.30 per cent and turned immediately lower, touching 5.27 per cent before rebounding.

The domestic front also provided more ammunition to keep bond market afficionados happy.

The Nikkei index of leading Japanese stocks turned down sharply, to reach its lowest since the autumn of 1990.

The closer to 20,000 the Nikkei gets, the greater the threat to the capital adequacy of Japanese banks, and the more the market expects an interest rate easing to be brought forward before the financial year-end at the end of March.

Mr Kiichi Mieno, governor of the Bank of Japan, whose comments on Friday signalled official confirmation the downturn in the economy was intensifying, further added to the mood with comments that recent wholesale prices had stabilised. As a further indication of the economic slowdown, bankruptcies in December were more than double those of December 1990.

■ WEAK industrial production data helped to push the French government bond market ahead yesterday. In what was a quiet day for bond markets generally. Production figures for last November showed a 0.6 per cent decline. The yield on the benchmark 10-year government bond declined from 8.41 per cent to 8.36 per cent.

The German government market firmed slightly, also in quiet trading. The market is focused on talks due today over the steelworkers' pay claim: failure to resolve the issue could lead to a vote for a strike in a ballot on Sunday, while a successful conclusion could give the government bond rally a new lease of life.

Details were also announced of a four-year bund auction this Friday. Observers said demand for such medium-term paper had been high recently.

■ A firmer pound gave greater confidence to the UK gilts market yesterday. In a quiet day, with only 12,000 futures contracts traded, the Liffe March contract firms from 97.17 to 97.23.

Weak retails sales in December added to the mood of political uncertainty around the market. Provisional figures for the month showed a 1 per cent decline – but a change in the basis of calculation exaggerated this decline. Rather than helping the bond market, the news was taken as a sign of the forthcoming electoral difficulties of the Conservative party.

The market was quiet ahead of today's announcement of details of the next gilt auction.

■ US markets were closed for a public holiday.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.7769	+1.079	9.75	9.78	9.92
BELGIUM		9.000	06/01	102.1000	+0.050	8.47	8.52	8.83
CANADA *		8.500	04/02	102.800	+0.360	8.08	7.98	8.33
DENMARK		9.000	11/00	102.9700	+0.050	8.33	8.37	8.76
FRANCE	BTAN	8.500	11/96	99.2150	+0.113	8.69	8.78	9.18
	OAT	9.500	01/01	106.7300	+0.230	8.40	8.48	8.89
GERMANY		8.25	09/01	102.2100	+0.080	7.90	7.95	8.11
ITALY		12.000	06/01	99.4300	-0.040	12.28	12.34	12.58
JAPAN	No 119	4.800	06/99	96.1091	+0.354	5.54	5.60	5.98
	No 129	6.400	03/00	106.2386	+0.240	5.31	5.36	5.67
NETHERLANDS		8.500	03/01	100.7500	+0.020	8.38	8.40	8.48
SPAIN		11.900	07/96	101.4500	-0.050	11.10	11.11	11.32
UK GILTS		10.000	11/96	101-15	+3/32	9.61	9.62	9.88
		10.000	02/01	103-08	+0/32	9.47	9.57	9.85
		9.000	10/08	96-19	+2/32	9.16	9.36	9.40
US TREASURY †		7.500	11/01	103-01	+6/32	7.06	6.99	6.99
		8.000	11/21	104-21	+6/32	7.60	7.49	7.60

London closing. *Canada closing. † Friday close. Prices: US, UK in 32nds., others in decimal

Yields: Local market standard. Technical Data/ATLAS Price Sources

Riyad Bank seeks to raise SR3.8bn in new equity

By Richard Waters

RIYAD BANK, the largest in Saudi Arabia, is seeking nearly to double its capital base in a move which could herald the start of a wider recapitalisation of the Saudi banking system.

If successful, the offer to Saudi investors would raise SR3.8bn in new equity for the bank, which had shareholders' funds of SR4.6bn at the end of 1990. The bank said the new equity, plus retained earnings from last year, would double the bank's capital-to-assets ratio to about 10 per cent. This would give it the best ratio of any bank in the kingdom. The bank does not disclose its risk-adjusted capital ratio.

The move aims to provide extra capacity to meet new loan demand in the kingdom in the aftermath of the Gulf war, the bank said. The 8m shares on offer, at SR475 each, are restricted to Saudi investors. Riyad Bank is also adding to its equity base through a five-for-one capitalisation issue.

Generale Bank optimistic over earnings

GENERALE Bank NV, Belgium's largest bank, yesterday gave an upbeat forecast of its 1991 profits, Reuter reports from Belgium.

"Our whole year results will largely confirm the extremely encouraging interim figures," said Mr Ferdinand Chaffart, chairman of the bank's executive committee.

In 1990, Generale Bank's group net profit amounted to BFr8.04bn ($248m) and the bank's first-half 1991 group net profit was BFr4.61bn.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 20

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	107¼		6.29
ALBERTA PROVINCE 9 3/8 95	600	109¼	109⅝	-⅛	6.51
AUSTRIA 8 1/2 00	400	106¼	106⅝		7.46
BANK OF TOKYO 8 3/8 96	100	104⅞	105½	+⅛	6.98
BELGIUM 9 5/8 98	250	111¼	111⅝		7.38
BFCE 7 3/4 97	150	103¼	103⅞		7.00
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 3/4 96 LFr	600	94	95		9.78
COPENHAGEN TEL 8 5/8 96 LFr	600	98½	99¼	+⅛	9.21
WORLD BANK 8 96 LFr	1000	96½	97½		9.01
ABN AMRO HOLDING 9 1/4 01 Fl	750	104½	104¾	+⅛	8.51
UNILEVER 9 00 Fl	500	104½	105¼	-⅛	8.18
ALBERTA PROVINCE 10 5/8 96 C$	500	106¾	107¼	+⅛	8.54
[illegible]					

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Merger plan lifts London futures market activity

By Tracy Corrigan

THE green light given to the merger of the London International Financial Futures Exchange and the London Traded Options Market last week has increased activity in individual UK stock options on LTOM.

Average daily volume in LTOM's 67 stock options in the last quarter of 1991 was just 17,000 contracts a day, (although the FT-SE 100 index option has remained quite active). Last Monday, volume was just 13,000.

On Wednesday, when Liffe announced it had found enough market-makers in the product for the merger with LTOM to proceed, volume rose to 39,000. On Thursday, 35,000 contracts were traded, and on Friday close to 30,000. Open interest, which reflects the positions held in the market, rose from 511,000 when the market opened on Wednesday to 547,000 at Friday's close.

However, volume slipped back somewhat yesterday to 20,000 contracts.

Mr Bruce Froud, head of derivatives at Kleinwort Benson, reported "positive feedback from our institutional clients, now that the uncertainty is out of the way."

Some institutions had been reluctant to take positions in the market, while its future was not secure, creating some pent-up demand.

The increase in volume reflected greater commitment by market-making firms, which have themselves been nervous about taking positions, dealers said.

"There does appear to be a gathering confidence now that the merger issue has been resolved," said Mr Tony de Guingand, chief executive of LTOM.

While the stock market was reasonably active last week, dealers said the rise in volume was not market-driven. Only one stock option – Asda – was traded in very high volume, because the company's results were published last week. Otherwise, the increase in trading was across the board.

European programme trading up sharply

By Richard Waters

PROGRAMME trading by UK and continental European fund managers increased sharply last year, and is expected to rise further in the coming 12 months, according to a study from US research and consulting group Greenwich associates.

In its latest annual report on the UK and continental broking industries, Greenwich says that nearly a third of UK institutional investors now use programme trading or other portfolio restructuring services. This compares with around a quarter the year before. Greenwich's research also highlights that 22 per cent of British fund managers expect to start programme trading this year.

The growth in use of stock index futures by UK institutions has mirrored the growth in programme trading.

Research among continental European investors show an even sharper increase. In US shares, some 38 per cent report that they engage in programme trading, compared with only 15 per cent last year.

Other findings include:

● More than half of UK institutions now use soft commission brokers. Last year, the comparable figure was 42 per cent. Greenwich estimates that some 13 per cent of UK equity business is conducted this way. This is up from the 5 per cent of 1989, but still down on the estimated 22 per cent of trades which US institutions channel through soft commission brokers.

● The decline in net trading by UK institutions has reversed. In 1986, some 46 per cent of trades were conducted net, a proportion which had fallen to as little as 15 per cent three years later. That proportion has increased slightly to 17 per cent.

● The typical British institution spends almost as much on continental share trades as on British trades. Institutions which contributed to the survey said that last year they spent an average of £1.1m in commissions on UK trades, down slightly from the previous year and short of the record £1.6m in 1986.

Asset value of Japanese trust funds slips 9.8%

By Robert Thomson in Tokyo

THE NET asset value of investment trust funds in Japan fell 9.8 per cent last year, as the continuing weakness of the Tokyo stock market drove down the asset value of equity investment trusts and slowed the flow of fresh funds.

The Investment Trusts' Association reported net assets were down Y4,520.1bn ($35.4bn) to Y41,473.8bn, with the net assets of stock funds down to Y28,562.4bn from Y35,077.2bn at the end of 1990, and the value of new stock funds launched down 45.3 per cent to Y8,640bn, which is the lowest level in six years.

A sign of investor concern about the health of the stock market was a 2.4 times increase in stock fund redemptions. Japanese fund managers, worried by the trend, have recently won approval from the Ministry of Finance to extend the life of trust funds due for redemption.

At the end of November, about 49 per cent of the asset value of what are officially called stock investment trusts in Japan was accounted for by stocks, with around 32 per cent in call loans, and about 17 per cent in bonds.

While the net asset value of these funds fell over the past year, the share accounted for by stocks had risen from 44 per cent at the start of 1991.

The Investment Trusts' Association said yesterday that the enduring weakness of the stock market had taught investors that they cannot take healthy returns for granted.

South Africa in Ecu250m landmark offering

By Philip Gawith in Johannesburg

SOUTH AFRICA's return to world capital markets yesterday received considerable impetus with the announcement that the government was raising Ecu250m (R890m).

The issue is the first by South Africa in the Ecu market since 1984, and follows the country's re-entry last September into world capital markets with a DM400m issue, after an absence of six years. The issue, which was mostly pre-placed, is "new money", unlike the D-Mark issue, half of which was used to refinance a maturing issue.

The issue underlines the change in attitudes towards South Africa since the dark days of mid-1985, when the refusal of foreign banks to roll over the country's loans forced South Africa to declare a standstill on debt repayment.

Since then, Pretoria has maintained what Mr Gerhard Croeser, director-general of the department of finance, yesterday called a "meticulous" record in meeting debt commitments and complying with the conditions of the three Interim Debt Arrangements, to which South Africa's foreign debt has been subjected since the 1985 standstill.

The South African authorities believe the launch also showed that international investors felt the country's political and economic prospects had been enhanced by the formation in December of the Convention for a Democratic South Africa (Codesa), the forum for the country's constitutional negotiations.

The funds, Mr Croeser said, would contribute towards the financing of the national budget, play an important role in strengthening the country's reserves, and promote economic stability and the further normalisation of South Africa's relations with its foreign creditors.

Strengthening the country's foreign reserves is particularly important as it will allow the Reserve Bank (central bank) to pursue a less restrictive monetary policy, and enhance economic growth. In recent years, South Africa's ability to finance economic growth has been constrained by the need to export savings to finance debt repayments. The country exported about R30bn of capital in this way between 1986 and 1990.

In international terms, South Africa is an under-borrowed country. Total external debt at December 1990 totalled US$19.3bn, equivalent to 70.2 per cent of annual export earnings. The interest service ratio is 7.1 per cent. South Africa's total foreign debt was $23.7bn at the end of August 1985, when the standstill on international borrowing was declared.

The Ecu issue, for maturity in 1997, has a coupon of 10.375 per cent. The Department of Finance said this was a premium of about 1.77 basis points over the average for three benchmark Ecu issues, of similar maturity, by Spain, Norway and Belgium.

The premium is partly a function of political risk, the debt standstill, and the fact that having been out of the market for so long, South Africa lacks liquid issues, and it is liquidity which brings marketability and a lower price.

Last week Dr Chris Stals, governor of the Reserve Bank, said the country would push for a final debt arrangement to deal with the outstanding $5bn when the third interim arrangement ended in 1993. He said a further arrangement was necessary because South Africa could not afford to repay the whole amount in 1993.

The removal of the debt standstill, and South Africa's readmission to the International Monetary Fund (IMF), are the biggest remaining obstacles to the normalisation of South Africa's relations with the international financial community.

EC paper 'disappointingly small'

By Tracy Corrigan

TWO offerings in Ecu dominated the primary Eurobond market yesterday, although many traders' minds were still focused on the worsening state of the dollar sector.

South Africa launched its expected Ecu bond issue, an Ecu250m five-year deal via Paribas. The deal, priced at an attractive spread to compensate for credit risk, appealed to continental retail investors, particularly in Germany. South Africa returned to the international capital markets last year, with a successful offering in the D-Mark sector.

INTERNATIONAL BONDS

The European Community launched an Ecu190m seven-year deal via Warburg. The pricing of the deal was considered to be on the aggressive side, but strong demand for five-to-seven year Ecu paper, and appetite for the EC name, ensured reasonable demand. Dealers said the offering, like many EC deals which are onlent, was disappointingly small.

In the Australian dollar sector, Swedish Export Credit launched a A$300m three-year deal via Hambros Bank. The deal is the third in the sector to be structured as a global offering.

In the dollar sector, Eurobond yield spreads remain wide, with corporate bonds generally under-performing sovereign and supranational paper. For example, ABB's four-year deal is now trading at a yield spread of 55 basis points above the Treasury yield curve, against 50 basis points at launch last week.

The World Bank's 10-year global bond offering has also lost some ground. The deal is currently quoted at 9 basis points above the 10-year Treasury, compared with, at best, three basis points last week. However, the deal is still trading six basis points tighter than its launch spread.

● The Bank of Scotland has raised $230m of subordinated debt in the US market, through the SEC's rule 144A.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
Republic of South Africa(a)†	250	10⅜	100	1997	1⅞/1⅝	Paribas Capital Mkts.
European Economic Comm.(d)†	190	8⅞	101½	1999	(d)	SG Warburg Secs.
FRENCH FRANCS						
Peugeot Finance Int.(a)#†	500	zero	100	1998	-	BNP
D-MARKS						
Deutsche Bk Fin.N'lands(b)†	200	8	102½	2002	2½/1½	Deutsche Bank
Marudai Food Co(a)§	150	4⅝	100	1998	2¼/1½	Deutsche Bank
SWISS FRANCS						
Inter-American Devt.Bank(a)†	150	7	102⅝	2000	-	Swiss Volksbank
YEN						
Jujo Paper(a)†	20bn	6.3	100	1997	30/20bp	Nikko Europe
US DOLLARS						
Petrobras(c)†	300	10	100.82	1995	1/½	CSFB

★★Private placement. §Convertible. #With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing DM400m deal. Non-callable. c) Amount increased from $250m. Non-callable. d) Management and Underwriting fee – 1⅞%. Non-callable. e) After 2 years issuer can redeem at 144% or give 2 year equity-linked warrant which entitles holder to cash payment of 116% of stock appreciation.

Midland Bank considers mortgage securitisation

By David Barchard

MIDLAND BANK is considering securitising part of its £4.5m mortgage book. It has sent letters to some of its 150,000 mortgage customers to ask whether they would object to having their mortgages securitised.

The bank said letters had been sent out, but it declined to give the numbers of customers approached, beyond saying that less than 10 per cent were involved.

The bank said it was testing the water and that it had no commitment to do anything at this stage.

Although Barclays and TSB have carried out experimental securitisation operations, so far none of the clearing banks has carried out a large-scale securitisation operation of the sort common in the US.

Securitisation – taking a group of high quality mortgages and selling them as a bond on the financial markets – is attractive to financial institutions because it enables them to reduce the amount of lending on their balance sheet and so strengthen their capital ratios. In the UK, about £10bn of mortgages have been securitised by the centralised lenders.

Gencor confirms R2bn rights issue

By Philip Gawith

GENCOR, South Africa's second largest mining house, yesterday confirmed its intention to go ahead with a R2bn rights issue. Gencor's parent company, Genbeheer, will be raising R1.1bn in order to follow its rights in the Gencor offer.

Mr Brian Gilbertson, Gencor's newly-appointed chairman, said yesterday: "Our major group companies are adequately funded for the present, but we found in the past that having funds available at the centre when we needed them put us in a powerful bargaining position. It is well known the group is currently either engaged in or examining a number of large projects."

These include the Columbus stainless steel project, the Alusaf expansion, the development of the Oryx gold mine, and Phase 2 of the Genref refinery expansion by energy arm, Engen.

Gencor's last rights issue was in July 1989, when the group raised R1.5bn. This left the group cash rich at a time of high interest rates.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Jan 20 1992: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Jan 17 Index No.	Thu Jan 16 Index No.	Wed Jan 15 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (178)	787.02	+0.2	8.66	6.11	14.77	0.19	785.41	772.78	762.22	686.27
2 Building Materials (23)	957.37	+0.6	7.27	6.50	18.63	0.00	951.29	922.03	897.96	942.28
3 Contracting, Construction (29)	872.91	+0.3	9.20	8.49	15.66	0.00	870.20	851.96	836.43	1061.79
4 Electricals (7)	2504.26	-0.2	9.92	5.99	12.68	0.00	2509.93	2468.12	2433.47	1858.14
5 Electronics (26)	1723.91	+0.6	10.71	4.98	11.83	0.41	1712.04	1703.08	1683.74	1480.96
6 Engineering-Aerospace (8)	338.07	-1.2	15.97	7.69	7.62	0.00	342.18	340.97	346.41	387.05
7 Engineering-General (43)	485.04	+0.1	9.87	5.13	12.49	0.84	484.35	479.23	475.19	344.31
8 Metals and Metal Forming (10)	330.00	....	2.12	10.52	-	0.00	330.17	326.31	310.76	381.85
9 Motors (13)	299.33	-1.6	8.53	7.97	15.58	0.00	304.34	297.05	287.21	273.21
10 Other Industrial Materials (19)	1626.83	+0.4	7.40	5.04	16.08	0.00	1619.70	1595.48	1585.68	1182.01
21 CONSUMER GROUP (184)	1631.62	+0.5	7.14	3.39	17.23	1.53	1623.35	1620.82	1646.00	1210.08
22 Brewers and Distillers (23)	2056.02	+0.1	8.10	3.45	14.98	7.92	2054.28	2047.78	2047.90	1568.98
25 Food Manufacturing (18)	1233.96	+0.2	8.74	4.12	14.14	1.03	1231.71	1240.85	1246.37	1025.68
26 Food Retailing (17)	2442.04	-0.2	9.05	3.39	14.35	0.39	2448.00	2431.03	2415.21	2334.74
27 Health and Household (24)	4454.65	+2.3	5.10	2.19	22.48	0.35	4355.38	4464.76	4649.21	2494.09
29 Hotels and Leisure (24)	1265.92	+0.7	7.88	5.30	15.68	0.00	1256.66	1235.68	1236.63	1119.02
30 Media (23)	1445.40	-0.1	6.69	3.71	18.72	0.91	1447.57	1453.71	1458.03	1188.27
31 Packaging, Paper & Printing (17)	749.31	-0.3	7.07	4.43	17.15	0.00	751.94	766.19	765.66	497.82
34 Stores (32)	1005.89	-1.1	7.30	3.70	18.15	0.23	1017.40	997.50	988.71	797.35
35 Textiles (10)	618.67	-0.7	7.47	5.02	17.07	0.00	623.12	603.38	595.23	404.11
40 OTHER GROUPS (115)	1207.80	-0.5	10.04	5.51	12.56	5.01	1213.43	1214.73	1203.79	980.94
41 Business Services (16)	1415.20	+0.4	7.09	4.63	17.93	0.00	1409.51	1451.74	1438.50	956.79
42 Chemicals (21)	1461.13	-0.1	6.91	5.01	17.88	0.19	1462.09	1446.31	1414.36	1040.86
43 Conglomerates (11)	1354.86	-0.4	11.11	7.66	10.92	0.10	1360.35	1346.03	1324.00	1236.92
44 Transport (14)	2428.40	-0.8	5.28	4.66	24.92	0.00	2448.16	2435.07	2392.77	1794.11
45 Electricity (16)	1176.36	+0.9	15.42	6.32	8.44	11.22	1166.26	1161.29	1150.19	1021.91
46 Telephone Networks (4)	1372.38	-0.4	11.43	4.57	11.42	15.96	1378.43	1398.10	1393.18	1118.19
47 Water (10)	2235.78	-0.9	19.09	7.11	5.77	0.00	2254.95	2246.40	2253.22	2210.25
48 Miscellaneous (23)	1817.32	-2.1	5.48	5.38	25.13	0.00	1857.05	1877.08	1861.54	1508.86
49 INDUSTRIAL GROUP (481)	1284.45	+0.2	8.31	4.52	15.06	2.32	1282.49	1281.47	1281.80	1010.39
51 Oil & Gas (19)	2198.50	+1.3	11.64	6.38	11.37	0.00	2170.19	2196.69	2195.22	2101.45
59 500 SHARE INDEX (500)	1366.02	+0.3	8.68	4.73	14.53	2.19	1362.18	1363.08	1363.29	1101.44
61 FINANCIAL GROUP (87)	736.85	....	-	6.32	-	0.00	736.96	726.27	707.97	686.25
62 Banks (9)	885.18	-0.4	4.94	6.00	46.86	0.00	888.40	877.24	844.14	733.98
65 Insurance (Life) (6)	1467.86	+0.1	-	5.82	-	0.00	1465.94	1446.31	1424.90	1233.09
66 Insurance (Composite) (7)	518.48	+0.8	-	8.41	-	0.00	514.62	508.16	498.92	593.57
67 Insurance (Brokers) (10)	1016.91	-0.1	7.64	6.57	17.30	0.00	1018.04	1008.20	992.95	934.40
68 Merchant Banks (7)	460.63	....	-	4.65	-	0.00	460.47	454.24	450.68	334.68
69 Property (34)	799.69	+0.1	6.86	5.77	20.76	0.00	798.64	777.55	765.07	933.52
70 Other Financial (14)	239.50	+0.1	11.14	7.46	11.33	0.00	239.19	236.65	234.38	237.90
71 Investment Trusts (68)	1192.01	-0.4	-	3.66	-	0.38	1196.50	1193.81	1192.91	961.59
99 ALL-SHARE INDEX (655)	1215.84	+0.2	-	4.90	-	1.67	1213.08	1211.56	1208.07	998.82

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Year ago
FT-SE 100 SHARE INDEX♦	2544.9	+8.2	2544.9	2520.3	2536.7	2541.6	2537.1	2516.3	2490.1	2084.0

FIXED INTEREST

PRICE INDICES	Mon Jan 20	Day's change %	Fri Jan 17	Accrued Interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (26)	121.60	+0.02	121.85	1.55	0.93
2 5-15 years (27)	136.87	+0.05	137.25	2.34	0.82
3 Over 15 years (8)	147.58	+0.10	147.44	2.21	0.00
4 Irredeemables (6)	162.57	+0.25	162.19	2.04	0.00
5 All stocks (67)	134.51	+0.05	134.79	2.07	0.79
Index-Linked					
6 Up to 5 years (2)	168.55	....	168.54	1.12	0.00
7 Over 5 years (9)	149.13	+0.10	148.98	0.36	0.63
8 All stocks (11)	150.68	+0.09	150.55	0.46	0.54
9 Debs & Loans (62)	117.55	+0.04	117.50	2.75	0.09

AVERAGE GROSS REDEMPTION YIELDS		Mon Jan 20	Fri Jan 17	Year ago (approx.)
British Government				
1 Low	5 years	8.79	8.77	9.85
2 Coupons	15 years	9.18	9.19	9.85
3 (0%-7¾%)	20 years	9.18	9.19	9.85
4 Medium	5 years	9.58	9.57	10.63
5 Coupons	15 years	9.26	9.27	10.16
6 (8%-10¾%)	20 years	9.20	9.22	10.00
7 High	5 years	9.81	9.81	10.77
8 Coupons	15 years	9.34	9.35	10.32
9 (11%-)	20 years	9.26	9.28	10.10
10 Irredeemables†		9.40	9.42	10.04
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.90	3.89	3.62
12 Inflation rate 5%	Over 5 yrs.	4.28	4.29	4.14
13 Inflation rate 10%	Up to 5 yrs.	3.21	3.20	2.20
14 Inflation rate 10%	Over 5 yrs.	4.09	4.10	3.95
15 Debs &	5 years	11.03	11.01	12.63
16 Loans	15 years	10.78	10.78	12.38
17	25 years	10.60	10.60	12.15

♦Opening index 2528.8; 9 am 2526.2; 10 am 2524.6; 11 am 2530.9; Noon 2530.8; 1 pm 2529.0; 2 pm 2530.2; 2.30 pm 2532.6; 3 pm 2527.3; 4.10 pm 2543.0; (a) 4.30pm (b) 9.43am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	34	14	32
Other Fixed Interest	3	3	12
Commercial, Industrial	251	294	942
Financial & Property	97	144	553
Oil & Gas	23	21	47
Plantations	2	0	7
Mines	38	42	72
Others	22	80	35
Totals	470	598	1,700

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	71	49	BTR Warrants 1995/96	69	+3	-	-	-	-
-	F.P.	-	130	105	Baillie Gifford Jap Wrrts	113	-5	-	-	-	-
-	F.P.	-	425	405	Bristol Water Non-Vtg Ord	425		-	-	-	-
*335	110	-	126½	111½	British Telecom New	112	-2	13.3	2.6	5.3	9.8
140	F.P.	-	157	140	Burn Stewart Dist	150		R5.0	2.3	4.4	11.6
-	F.P.	-	2½	2	Butte Mining Wrnts	2		-	-	-	-
†	F.P.	-	75	63	Capital Industries 1p	63		-	-	-	-
-	F.P.	-	310	218	Eurotunnel '91 Wrnts	280	-23	-	-	-	-
-	F.P.	-	33	23	Fleming Japanese Wrrnts	25	-½	-	-	-	-
-	F.P.	-	25	24½	Hong Kong Zero Dv Pf	25		-	-	-	-
§ £10¼	F.P.	-	£10½	£10¼	Latin Am Inc & Appr. In	£10¼		-	-	-	-
-	F.P.	-	4	3	Lowe (R) Wrnts	3		-	-	-	-
-	F.P.	-	6	3	Multitrust Warrants	6	+2	-	-	-	-
60	F.P.	-	59	53	♦Seafield Resources	54		-	-	-	-
50	F.P.	-	33	33	♦Simpsons of Cornhill 5p	33		-	-	-	10.2
100	F.P.	-	106	103	St. David's Zero Div Pf	105¼		-	-	-	-
-	F.P.	-	5	3½	Wills Group Wrrnts	5	+½	-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+ or -
10p	F.P.	-	10p	8p	Butte Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	107½	98½	Cambourne Inds. 10½pc Rd. Deb. 2001	105½	-2
100p	F.P.	-	106p	100p	Fidelity Euro. Values Equity Ln 2001	106p	
105	F.P.	-	105	98	Greencore 9.5% Cnv Un Ln Stk 1995	100	
310p	150p	-	256p	187p	Inchcape Non-Int. Bearing Cv Un Ln	256p	+8
100p	F.P.	-	104p	100¼p	NatWest Bank 9pc Prf Series A	103¼p	+¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+ or -
43	Nil	[illegible]	10pm	9pm	Airbreak Leisure 5p	9pm	-1
43	Nil	17/2	5pm	2pm	Anglo Irish Bank	3pm	+1
220	Nil	26/2	27pm	13pm	Beales Hunter 20p	18pm	+5
235	Nil	27/1	31pm	11pm	Hartstone	23pm	-4
415	Nil	28/2	127pm	100pm	Northern Foods	118pm	-1
77½	Nil	20/1	1½pm	¼pm	River & Merc. Cap.	¼pm	
105½	Nil	20/1	1½pm	¼pm	Do. Inc.	¼pm	
113½	Nil	20/1	6pm	3pm	Do. Stpd. Pf	3½pm	-2½
17½	Nil	20/1	1½pm	¼pm	Do. Warrants	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. § Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Issue price to private investors. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

● First Dealings Jan. 20
● Last Dealings Jan. 31
● Last Declarations Apr. 23
● For settlement May 5

3-month call rate indications are shown on this page.

Calls in Airtours, British Steel, Conroy Petrlm., Euro Disney, Eurotunnel Warrants, Flextech, Kunick, Lonrho, Medeva, Midland & Scot. Res., MTL, Proteus, T & N and George Wimpey. Puts in Carlton Comms. Put and call in Era.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*641)	600	40	65½	77½	1¼	13	24
	650	4	37	50½	15	32½	47½
	700	1¼	18	29½	59½	65½	77½
ASDA (*37)	34	2½	6¼	-	½	4¼	-
	40	-	-	6¼	-	-	9¼
	43	½	3¼	-	7	10	-
Brit. Airways (*241)	220	21½	30½	35½	½	5	10½
	240	3½	18	23	3	11	17½
	260	-	9	14	-	22½	28½
SmKl Beecham A (*907)	850	57½	85½	108	1¼	14	24½
	900	13	52½	79½	5¼	32	43½
	950	1¼	30½	54½	43½	56½	61½
Boots (*439)	420	18½	37½	44	½	7	13½
	460	½	13½	20½	21½	28	32
B.P. (*291)	280	10½	19	23	1¼	8¼	13
	300	1	9	14	10	18	23½
British Steel (*76)	70	5¼	9¼	11¼	¼	2½	4½
	80	½	4¼	6½	4¼	7½	9½
Bass (*1097)	1050	46½	83½	103	1	15½	26
	1100	-	51½	72½	-	34½	45½
C & Wire (*606)	600	10	38	51½	4½	22½	30½
	650	-	17½	28	-	51½	59½
Courtaulds (*510)	500	11	36	48	1¼	16	23
	550	¼	14¼	23	41	41	49
Com. Union (*476)	460	16½	29	37½	1¼	17½	22
	500	¼	9	19½	23½	41½	44½
Fisons (*350)	330	19½	31½	43½	1¼	11½	14½
	360	1¼	17½	28	12	26	28
GKN (*318)	300	17½	26	30	1¼	13¼	16½
	330	1	9¼	17½	12	33½	35½
Grand Met. (*924)	900	23½	60½	82½	2½	22½	31
	950	-	33	57½	-	43	52½
I.C.I. (*1250)	1250	10½	49½	81½	11	63½	76½
	1300	1½	29½	60½	50½	96½	107
Kingfisher (*493)	460	32½	49½	58½	½	9	14½
	500	3½	23½	32½	11½	20	30½
Ladbroke (*225)	220	-	17½	22½	-	13½	17
	230	1½	12	-	7½	18½	-
Land Secur (*472)	460	13½	31½	37½	¼	10	18½
	500	¼	12½	16½	27½	30½	37½
M & S (*296)	280	15	27	30½	1	6¼	10
	300	1½	16	21	6¼	13½	18½
Sainsbury (*365)	360	-	22	27	-	9	14½
	390	½	-	-	20	-	-
Shell Trans (*499)	460	40½	44½	55½	½	7	10½
	500	3	18½	30	4	23½	26½
Storehouse (*107)	100	8½	14½	15	1¼	3½	6
	110	1	7¾	9½	3	7½	10
Trafalgar (*134)	130	4½	16	18½	2	9	15½
	140	1¼	10½	14½	8½	15½	21
Utd. Biscuits (*414)	390	23½	35	40½	½	8½	12½
	420	2¼	15	24	8½	23	26
Unilever (*903)	900	8	40½	59½	7	32½	39½
	950	-	18½	35½	-	60½	66½
Ultramar (*285)	280	4	18½	-	2	18	-
	300	1¼	10½	19	16¼	30	-

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero (*302)	300	13½	18	25	11½	31	35
	330	5	10	15¼	32½	50½	49½
BAA (*568)	550	26	47	55	8	18½	21
	600	6	20½	28½	39½	39½	47½
BAT Inds (*643)	600	46½	63½	69½	3	13	21½
	650	13	31½	42½	18	33½	43½
BTR (*429)	420	18	27	36½	6½	17	20
	460	1¼	9	-	32½	41½	-
Brit. Telecom (*318)	300	21½	33½	39½	3	6	10½
	330	4¼	15	21½	14½	18½	22½
Cadbury Sch (*441)	420	31½	39½	52½	6	17	22½
	460	9½	22	32½	25½	37½	40½
Eastern Elec (*225)	220	-	-	25½	-	-	13½
	230	5	14½	-	9½	12	-
Guinness (*537)	525	23	35½	-	6½	17½	-
	550	9¼	23	35½	18	30	34
GEC (*198)	180	18	25	27	½	2¼	5
	200	4	11¼	14¼	6	8¼	13
Hanson (*215)	200	16	24	26½	1½	4¼	6½
	220	3¼	11¼	14½	8¼	12	14½
LASMO (*246)	240	16	21	28½	6½	16½	21
	260	6	13½	19	18½	29½	31½
Lucas Inds (*116)	110	10½	12½	15½	2½	6	8
	120	3	8¼	11	6	10½	12½
P. & O. (*449)	420	37	46½	51½	3	18½	22½
	460	12	22½	32½	18½	37½	42½
Pilkington (*146)	140	10½	19	19½	4	8	12½
	160	3	9¼	-	13½	18½	-
Prudential (*239)	220	22½	25½	30½	1¼	7	9
	240	8	13½	19½	7½	14½	17½
Racal (*50)	47	3¼	-	-	¼	-	-
	51	1½	-	-	2½	-	-
R.T.Z. (*534)	500	39½	48	57½	4¼	14	19½
	550	9	21½	32½	22½	37½	42½
Scot. & New (*437)	420	25	41½	48½	4	11	17½
	460	5	19½	26½	24	30	37½
Tesco (*227)	220	11½	17½	22½	4	8½	11½
	240	3	7½	13½	14½	19½	22
Thames Water (*341)	330	15½	29	31	4½	8½	14½
	350	5	-	-	12½	-	-
Vodafone (*363)	360	12	27½	34	10½	17½	23½
	390	3¼	13	21	29½	34½	39½

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*290)	280	16	23	26½	9	13	15
	300	6	13	18	21	24½	25½
Amstrad (*31)	30	4¼	7¼	8¼	3¼	5¼	6¼
	35	2½	5	6¼	5¼	7¾	9¼
Barclays (*392)	390	16	28	32½	17½	24	32
	420	6	13½	18½	39½	42½	49½
Blue Circle (*259)	240	26	30	34½	4½	11½	14½
	260	14	18½	24	12½	21	24
British Gas (*247)	240	11¼	16	21	6¼	13	14
	260	4	7¾	12	20	25	26½
Dixons (*229)	220	18½	27½	31	6	12½	14½
	240	8½	18½	20½	15½	20	25
Eurotunnel (*461)	460	31½	53½	66½	23½	35½	41½
	500	15½	36½	40	46½	56½	60
Glaxo (*861)	850	49½	83½	107	37½	50	61½
	900	29½	60½	84½	63½	75½	88½
Hawker Sidd. (*791)	750	32	46	-	8½	16½	-
	800	8½	18	-	-	-	-
Hillsdown (*159)	140	22½	25½	27½	2	5	6½
	160	8½	12½	15	8	12½	14½
Lonrho (*161)	160	14	22	25	21	24	30
	180	7	15½	17½	34	39	43
Midland Bk (*229)	220	20	30	35½	9	13½	18½
	240	11	20	24	20	23½	27
National Power (*139)	130	9½	14½	16½	3½	5	8
	140	3¼	10½	11½	9	10	13½
Reuters (*1037)	1000	68	100	125	28½	46½	58
	1050	40½	75	100	55	70	80
R. Royce (*137)	130	10½	12½	15	5¼	8	10
	140	5¼	7¾	10½	11¼	14	15½
Scottish Power (*98)	90	10½	14	14½	1¼	3½	6
	100	3¼	8	9	5¼	8	11½
Sears (*99)	90	11½	13½	15½	1½	4½	5½
	100	5¼	7¼	10	5¼	9	10½
Forte (*237)	220	22½	26½	29	2¼	7½	9½
	240	8¼	14½	18½	9¼	16½	18½
Thorn EMI (*811)	800	37½	62½	69½	17	24	35½
	850	14½	37½	-	42½	47½	-
TSB (*133)	130	5¼	12	11	7	10	11½
	140	2½	6¼	-	13½	15½	-
Vaal Reefs (*$73)	70	5½	8	11	4	7½	9½
	80	2¼	-	-	11	-	-
Wellcome (*1048)	1000	85½	126	135	24½	44½	49½
	1050	56½	98½	127	44	63½	68½

EURO FT-SE INDEX (*2543)

	2375	2425	2475	2525	2575	2625	2675	2725
CALLS								
Jan	180	140	95½	54½	25½	9	3	1
Feb	210	167	126	89½	60½	37½	20	12
Mar	-	195	-	120	-	64	-	30
Jun	-	249	-	182	-	125	-	80
Sep	-	289	-	224	-	165	-	120
Dec	-	320	-	260	-	197	-	155
PUTS								
Jan	3	4½	8	17	37½	70½	113	162
Feb	11½	17	26	38½	57½	85½	117	156
Mar	-	29	-	54	-	96½	-	162
Jun	-	37	-	87½	-	125	-	175
Sep	-	66½	-	97½	-	127	-	175
Dec	-	80	-	110	-	148	-	190

FT-SE EUROTRACK 100 INDEX (*1136)

	1025	1050	1075	1100	1125	1150	1175	1200
CALLS								
Mar	-	90	70	47	24½	10½	7	2
Jun	142	119	100	80	-	-	-	-
PUTS								
Mar	-	4½	6½	8½	19	29	43	64
Jun	6	8½	10½	15	-	-	-	-

FT-SE INDEX (*2543)

	2350	2400	2450	2500	2550	2600	2650	2700
CALLS								
Jan	217	168	120	74½	38½	14	5½	2
Feb	237	191	148	108	75	48½	29	15½
Mar	257	216	175	137	106	78	55	38
Apr	280	240	202	167	134	104	80½	62½
Jun	-	270	-	195	-	135	-	90½
Dec †	-	345	-	275	-	220	-	170
PUTS								
Jan	2	3½	6½	12	27	57½	107	157
Feb	10	15½	21½	32½	50½	76½	109	149
Mar	19½	26½	36	48½	67½	93	124	157
Apr	33½	39	51½	65½	82	106	134	168
Jun	-	56½	-	85	-	127	-	183
Dec †	-	80	-	110	-	150	-	190

January 20 Total Contracts 28,343
Calls 14,650 Puts 13,693
FT-SE Index Calls 1,263 Puts 3,042
Euro FT-SE Calls 1,152 Puts 2,385
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p								
■ INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7½	■ OILS	
Allied-Lyons	55	Comm Union	38	Legal & Gen	31	SmKl Bchm A	78	Aviva Pet	1¼
Amstrad	4½	Courtaulds	38	Lex Service	18	TI	48	BP	22
Astec (BSR)	6	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
BAT Inds	50	FKI	5½	Lonrho	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	25	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	39	GEC	15	P & O Dfd	34	Wellcome	75	■ MINES	
Bowater	56	Glaxo	70	Racal Elect	4½	■ PROPERTY		RTZ	38
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	5	GRE	11	Rank Org	45	Land Sec.	38		
Brit Telecom	25	Hanson	16	Ratners	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½		

Timing of finance director's departure adds to embarrassment

BAe faces setback in Saudi arms deal

By Paul Betts, Aerospace Correspondent

BRITISH Aerospace faces further delays in its efforts to complete negotiations on a £10bn arms contract with Saudi Arabia.

The company was hoping to complete soon the second phase of its Al Yamamah defence deal involving construction of a new airbase and orders for new Tornado and Hawk aircraft.

But there are growing signs in the UK and Saudi Arabia that the Saudis are unlikely to make a decision in the government-to-government negotiations before a British election *in April or May*.

The contract would give BAe a much-needed boost at a time when the company is still struggling to regain the confidence of the City after its unsuccessful rights issue and the resignation of Professor Sir Roland Smith, its chairman, last September.

The setback in the delicate negotiations came as the company confirmed yesterday that Mr Dudley Eustace, its finance director, would leave the board "by mutual agreement" after its annual meeting this spring.

Although the departure of Mr Eustace was not altogether unexpected after the rights issue, the timing of the announcement was clearly embarrassing for BAe.

The company, which was planning to announce Mr Eustace's resignation after a successor had been found at about the time of the annual meeting, has been desperately trying to portray a picture of corporate stability after last year's top management crisis.

The announcement of Mr Eustace's resignation, coupled with disclosures that the company faced an £80m property claim from Asda, the supermarket group, hit BAe shares yesterday. They fell sharply in early trading from 314p to 288p, subsequently recovering to close at 302p.

BAe said in its statement yesterday that Mr Eustace's departure had no connection with its current discussions with Asda over the supermarket group's claim against BAe's Arlington property company.

The statement said: "The board of BAe announces with regret and by mutual agreement that Dudley Eustace, in whom the board has the fullest confidence, intends to stand down as a director of the company following the annual general meeting."

BAe insiders also confirmed that Mr Eustace was leaving amicably and that there had been no "bust-up".

"After Professor Smith's resignation we always felt there would have to be more scalps. We would have been surprised if it had not happened," one City analyst said yesterday. "Mr Eustace was well liked in the City but had to pay for the rights issue flop," another analyst added.

See Lex

Private hearing for Berlitz stake dispute

By Raymond Hughes, Law Courts Correspondent

AN APPLICATION by Macmillan, the main publishing subsidiary of Maxwell Communication Corporation, in connection with the disputed ownership of a 55.6 per cent stake in Berlitz was heard in private in the High Court yesterday after a judge was told it was a matter of "extreme commercial sensitivity".

Five banks have claimed ownership of most of the stake, which is also claimed by Macmillan. Credit Suisse, Swiss Volksbank, Advest of New York, Morgan Stanley and Shearson Lehman are believed to claim ownership of the shares as collateral for loans extended to companies within the Maxwell empire.

Asking for the application to be heard in camera, Mr David Oliver QC, for Macmillan, told Mr Justice Ferris that last month Swiss Volksbank and Credit Suisse had undertaken not to dispose of certain shares without prior notice to Macmillan. Last week both banks *had given such notice.*

Mr Oliver, who did not refer to Berlitz, said the shares were in a company in which Macmillan held a very substantial stake, the balance being quoted on the New York Stock Exchange.

"Accordingly the matter is one of extreme commercial sensitivity," Mr Oliver said. "Much of the material I shall put to you concerns certain negotiations that have been taking place, the impact of which upon the share price if they were to become public could be substantial."

It was not inconceivable, he said, that publicity at this stage could deprive Macmillan *of "the fruits of its victory, if* victory there be".

The plea for a private hearing was supported by Mr Nicholas Merriman QC, for Swiss Volksbank. Mr Gabriel Moss QC, for Credit Suisse, said he had no objection.

● Four more private companies in the Maxwell empire were put into administration by a High Court judge yesterday. Mr Justice Mummery made administration orders on Media Expenditure Analysis, PHA Investments, Multiphase Systems and The Media Register. The judge also appointed interim managers of Questel Qualitative Studies and Max*well Legal Services, pending* applications next Monday for those companies also to be put into administration.

The orders were made on applications by Mr John Talbot, of accountants Arthur Andersen, now the administrator of 44 Maxwell private companies.

GWR $24m in loss and cost-cut plan launched

By Peggy Hollinger

GREAT Western Resources, the troubled US-based oil, gas and coal company with a USM quote in London, yesterday announced a swingeing cost-cutting programme and suspended the dividend as it revealed pre-tax losses of $24m (£13.4m) for the year to September 30.

The loss, which compared to previous profits of $4.7m, was struck on revenue down 13 per *cent to $134.7m. Last year's* figures were inflated by a $6.7m contract settlement gain.

The disproportionate decline in profits partly stems from GWR's legal dispute with its largest customer, the South Carolina Public Services Authority. SCPSA, which disputes the validity of the GWR contract, has withheld $33m in payments for coal shipments.

Mr Howard Wolf, who replaced Mr Dan Pena as chairman in December, said the *group* had recovered between 25 and 30 per cent of the SCPSA business through new customers. "We are doing everything we can to ensure the long-term survival of the company," he said.

Overheads would be cut by up to 40 per cent this year, he added, and a compensation committee would review executive salaries and fees.

Exploration and development programmes in the oil and gas division were also being curtailed after talks with banks. These had agreed to defer debt payments totalling $10m until October 31 1992. GWR carries total debt of about $75m.

During the year, the group increased remaining proven oil reserves, after accounting for production, by 41 per cent. Remaining proven gas reserves rose 16 per cent.

Losses per share worked through at 26 cents, compared with earnings of 6 cents last time. Dividends for the previous year totalled 5.5p.

Allied-Lyons moves to restructure management

By Philip Rawstorne

ALLIED-LYONS, the drinks, food and retailing group, yesterday announced a management restructuring designed to sharpen the focus on its international development.

Four regional councils are to be set up to promote overall strategies and operating efficiencies in the group's main markets.

Mr John Giffen, 52, will give up his operational posts as chairman and chief executive of the wines and spirits division to which he was appointed last year, to join the group's headquarters team as chairman of the Americas council.

Mr Michael Jackaman, *chairman, will head the coun*cil for western Europe; Mr Tony Hales, chief executive, will oversee the Far East and Africa; and Mr Roy Moss, chairman and chief executive of the brewing division, will head the UK council.

"Each regional chairman will have the clear objective of making sure that we miss no opportunity for growth and synergy in our priority markets," said Mr Jackaman.

The group is also reorganising its business into four operational sectors, including for the first time, a separate retailing arm.

Mr David Jarvis, 44, who was last year appointed chairman and chief executive of J Lyons, will become chief executive of the spirits and wines operations which contribute about half of group profits. Mr Hales will be chairman, and Mr Giffen, deputy chairman.

Mr Tony Trigg, 51, will become chief executive of the retailing sector which will include Allied's 6,000 pubs, the 1,000 Victoria Wine shops and the Baskin-Robbins and Dunkin' Donuts franchise stores operating in the US and internationally.

Mr Moss, who will be chairman of the retailing sector, and Mr Trigg will continue to run the brewing and wholesaling operations.

The two men will be Allied's representatives on the board of the proposed Carlsberg-Tetley joint venture.

Mr Hales will head the food manufacturing sector, consisting of the J Lyons beverages, bakery and ingredients businesses, with Mr David Beatty, 59, the present corporate development director of Hiram Walker, as deputy chairman.

Mr Peter Macfarlane, group finance director, will join the boards of spirits and wines, retailing, and food manufacture.

Steetley seeks shareholder support for Tarmac merger

By Andrew Taylor, Construction Correspondent

THE BATTLE for control of Steetley, the building materials group, is expected to intensify with the publication today of the group's latest appeal for support to shareholders.

The group has written to its 7,000 shareholders – institutional investors own 80 per cent of the 156.3m shares – *defending its proposal to merge* its UK brick, clay roof tile and concrete products businesses with those of Tarmac, Britain's biggest construction and building materials group.

The announcement of the joint venture plan at the beginning of December prompted a hostile bid from Redland, the building materials group which has long coveted Steetley's domestic brick and French aggregates operations.

Redland's 85-for-100 share exchange offer was yesterday worth more than £630m, valuing each Steetley share at 405.45p. Steetley's shares closed last night at 377p.

In the document, which will be posted to shareholders today, Steetley says the Tarmac merger would reduce unit production costs by up to 15 per cent and generate combined savings of at least £10m a year.

Sir Eric Pountain: merger *a potent challenge*

Savings would include the closure of 14 out of 56 plants. Combined brick production would be cut by 20 per cent or 160m bricks a year.

Tarmac's large UK construction, housebuilding and concrete operations and its international interests would be excluded from the joint venture, which would be named Allied Building Materials. Steetley would retain its European concrete and aggregates businesses. It is the largest aggregates producer in France.

The document says: "No other combination could bring together two companies with anything like the same benefits across the total range of their building products."

It forecast that by the mid 1990s Allied would be generating profit margins higher than those achieved during 1988 and 1989, the two best years for UK construction output.

A letter from Sir Eric Pountain, Tarmac's chairman, included in the document, endorses the joint venture proposal which he says "will represent a potent challenge to our competitors . . . founded on one of the lowest cost structures in the industry".

Steetley is due to publish by next Monday its official defence document against the Redland bid. This, however, may be postponed if the Office of *Fair Trading* has not pronounced by then on possible monopoly implications raised by the bid.

Medeva acquires Glaxo brands

By Paul Abrahams

MEDEVA, the pharmaceuticals group, yesterday acquired more than 30 brands from Glaxo in a deal worth £13.5m.

The products, which range from treatments for paracetamol poisoning to nose inflammation, have a turnover in the UK and the Republic of Ireland of about £6.5m a year. The purchase price is to be paid by instalments over a period of two-and-a-half years.

The move follows a series of acquisitions by Medeva, which aims to have sales of £500m by 1995. In 1989 the group had revenues of less than £1m.

Mr David Lees, Medeva's finance director, said yesterday: "These treatments are more fitting in a company our size where they will be first and second rank products while at Glaxo they were in the fifth-rank."

Mr Lees said Medeva should make profits of £15m this year. That would compare with Glaxo's profits last year of £1.2bn on turnover of £3.4bn. Mr Bernard Taylor, Medeva's chairman, was formerly Glaxo's chief executive.

Glaxo said it was selling niche generic products of which Medeva could make more use than itself. It added that it did not have enough time to give them the attention they deserved.

The acquisitions fit into Medeva's existing sales and distribution channels, said Mr *Lees. The company* already manufactures some of the products and will sub-contract the others.

No additional capital expenditure was required to set up manufacturing, he added. Mr Lees said he was particularly pleased with the timing of payment which would make the deal cash-flow equal.

Last October Medeva bought Adams Laboratories, a Texas-based branded pharmaceutical manufacturer, for $77.2m (£43m).

Unwelcome approach for Wilkes

By Andrew Bolger

JAMES WILKES, the world's largest supplier of beer mats, has received an "unsolicited and unwelcome" approach which might lead to an offer being made for the Sheffield-based mini-conglomerate.

Shares in Wilkes, which has most of its business in engineering, closed up 30p at 189p, for a market value of £33m.

Mr Stephen Hinchcliffe, chairman, refused to identify the prospective bidder, but said a further announcement would be made.

While the company continued to trade profitably, it has been pursuing a policy of reducing borrowings in light of the general economic outlook.

Mr Hinchcliffe declined to give a gearing figure. But he agreed the company had stretched its balance sheet last year paying £3.6m for the outstanding 25.8 per cent stake, held by Record Holdings, the Sheffield-based hand and power tools manufacturer, in Easterbrook Allcard, the cutting tools concern Wilkes acquired in 1990.

The company *also* said that Mr Arthur Watt had been made group managing director on January 14, and a second non-executive director would be appointed shortly.

B&Q founder joins move to oust Cityvision board

By Norma Cohen, Investments Correspondent

MR DAVID Quayle, founder of the B&Q DIY chain, has joined a management group which is seeking to replace the directors of Cityvision, the video rental chain.

Mr Quayle was a non-executive *director of Cityvision from* 1986 until October 1990, and was instrumental in setting its early direction.

Institutional shareholders, representing 16.8 per cent of the equity, are seeking to replace the current management with Mr Quayle and two former Cityvision executives, Mr Phillip Crane and Mr Ray Hipkin.

The move follows an agreement by Cityvision to be acquired by US-based Block*buster Entertainment.*

● Mr Hipkin yesterday issued a writ for libel against Cityvision and its advisers, J Henry Schroder Wagg, in connection with comments made about his former employment at the company.

Lloyds signs bilateral deal with Spanish bank

By David Barchard

LLOYDS BANK and Banco Bilbao Vizcaya of Spain are to allow their business customers access to each other's national branch networks.

BBV is the fifth European bank with which Lloyds has *signed a bilateral agreement. It* already has similar arrangements in France, Italy, Germany, and the Netherlands.

Lloyds said that by using the branch networks offered by selected banks, it would be able to give its business customers full banking services throughout the EC.

The agreement gives them access to 1,900 BBV branches in Spain. Lloyds already has a 19-branch network there

Business customers of Lloyds will be able to open accounts, obtain advice on local business practices, and other services from banks with bilateral agreements. The arrangements do not operate multilaterally between Lloyds' partners.

Eurocopy shares leap on OFT clearance

By Peggy Hollinger and Michiyo Nakamoto

SHARES IN Eurocopy yesterday jumped 25 per cent to 100p as the Office of Fair Trading announced that it would not revoke the photocopier distributor's 18 consumer credit licences, which allow it to arrange third-party financing.

However, Sir Gordon Borrie, director general of the OFT, strongly condemned office equipment leasing documentation in general. Much of it was "unsatisfactory", he said, and "open to abuse . . . I will not hesitate to move against someone who uses such paperwork."

Eurocopy, which came under fierce criticism last year for the sales practices employed by some of its subsidiaries, said it was delighted with the decision.

Its annual results, which have been postponed three *times pending the OFT* announcement, are due on Friday.

Mr Cyril Gay, chairman, said the decision was "a huge relief . . . If they had had those licences taken away, it would have been the end of the company."

Sir Gordon said he had received 10 assurances from Eurocopy and its associates regarding future business practices, including a re-casting of agreements, a seven-day cooling-off period, and a new training programme for sales staff. The OFT would also receive regular reports from the company on the level of complaints and on how the assurances were being met.

The director general pointed out that the questionable practices were largely connected with companies – especially the Scottish group Purdie & Kirkpatrick – acquired from Sketchley in 1989.

The companies had been criticised for misleading lessees into signing contracts by understating the minimum volume of copies or the length of the lease they contracted to pay for, and for getting junior staff to sign contracts.

"I am now satisfied that before I told them in August I was minded to revoke their licences, Eurocopy had already taken steps to overhaul their selling practices," Sir Gordon said.

Eurocopy said it introduced contracts with larger print, on which the terms of the agreement are more clearly set out, *as early as October* 1990. Mr Michael Armitage, finance director, claimed that the group had had no serious complaints since the new documentation was introduced.

Not surprisingly, the uncertainty surrounding the issue has given Eurocopy's competitors a field day and depressed its share price which reached a peak of 256p on August 7 1990.

Mr Armitage said that competitors had used the adverse publicity to take business from Eurocopy.

In August the company claimed that publicity surrounding the investigation had cost the company about £4.5m in lost profits. Analysts are expecting at least a 33 per cent drop in Eurocopy's profits to £7.5m.

Nevertheless, the consensus in the City is that, questionable sales practices apart, Eurocopy still has a solid business. Before the announcement, Mr Andrew Yeo at Hoare Govett valued the shares at 80p on the basis of the cash generated by existing contracts alone.

However, yesterday's decision has taken them closer to the underlying value of between 120p to 130p, he said.

BOARD MEETINGS

TODAY

Interims- Applied Holographics, BCE, Birna, Budgens, Cantors, Deejen, Jury's Hotel, Matthew Clark, Reject Shop, Trevian, Wood (JD)
Finals- Central Motor Auctions, London & Clydeside

FUTURE DATES

Interims-	
AIM	Jan. 30
Black (Peter)	Feb. 3
Bristol Channel Ship	*Jan. 27*
Cookson	Sep. 3
Forepak	Jan. 29
Fleming Enterprise	Feb. 20
Heath (Samuel)	Jan. 27
Photo-Me Intl	Jan. 30
Sievert Zigomala	Jan. 27
Finals-	
Cardiff Property	Jan. 24
Cookson	Mar. 25
Craton Lodge & Knight	Feb. 3
Heavitree Brewery	Jan. 31
Macarthy	Jan. 23
Pacer Systems	Mar. 10
United Biscuits	Mar. 12

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
GWR § ....fin	nil	-	3	1.87	5.5
Intercare ....fin	1.5†	Apr 24	1.25	2	1.25
Resort Hotels ....int	1.2†	Mar 16	1.2	-	3.4
Wheway ....fin	1†	Apr 1	2	2	3

Dividends shown pence per share net except where otherwise stated.
†On capital increased by rights and/or acquisition issues.

UK COMPANY NEWS

Seismic rumblings along global party-lines

Hugo Dixon on the industry-wide effects of an AT&T/Cable and Wireless alliance

A GLOBAL alliance between American Telephone & Telegraph and Cable and Wireless – which has been the subject of intense negotiations since last September – would create an earthquake in the international telecommunications industry.

AT&T is the most formidable player in the industry, although largely based in the US. C and W is much smaller but has the best global spread of any telephone company, with operations in the UK, Hong Kong, Japan, the US, Australia and countless developing countries.

Wide-ranging collaboration between the two groups would almost certainly cause a knock-on effect in the rest of the industry as other telephone companies scramble to form their own alliances. The sector is already in a frenzy of matchmaking as national monopolies try to turn themselves into internationally competitive operators.

But will an alliance be concluded? The negotiators failed to make progress in talks earlier this month, denting hopes of a quick deal.

The two companies seem to have reached agreement in principle on AT&T buying a quarter to a third of Mercury Communications, C and W's UK subsidiary. But they were unable to agree on how wider co-operation would work and AT&T also has doubts about moving ahead on Mercury before the British general election later this year.

The main attraction of an alliance from C and W's perspective is that AT&T would give it the necessary muscle to compete more effectively with British Telecommunications in the UK.

Lord Young, C and W's chairman, has made it clear that he does not want to compete head on with large groups like AT&T and BT. He prefers a "super-niche" strategy of providing mobile, data and international services in high-margin markets around the world.

AT&T would be expected to pay about £1bn for a minority share of Mercury as well as committing itself to investing further cash to help build Mercury up as a competitor to BT. Effectively, Lord Young would be getting two giants to compete against each other, rather than competing directly against either himself.

Such thinking was also behind C and W's decision not to proceed with its planned $174m (£97m) acquisition of TRT/FTC last November, which would have made it the fourth largest long-distance operator in the US, but pitted it directly against AT&T.

Lord Young seems also to want AT&T's collaboration in continental Europe. He has already called on the European Commission to take decisive action later this year to open up the telecommunications market to competition.

For C and W, the main problems in concluding a deal are to get the maximum price and to ensure that it does not get squashed by AT&T, which has been described as "an 800lb gorilla".

C and W is protected from a hostile takeover bid by the UK government's "golden share", which prevents any single shareholder owning more than 15 per cent of its stock. On the other hand, the company appears to want to do a deal on more than just Mercury for fear that AT&T would otherwise team up with different partners in other European countries, turning Mercury into the UK appendage of a global empire.

For AT&T, a deal with C and W would take it closer to chairman Mr Bob Allen's goal of earning half the group's revenue from outside the US by the time he retires in 2000.

The main attraction of taking a stake in Mercury would be that AT&T would then be operating a network on both sides of the Atlantic.

Instead of handing over most of its UK phone calls to BT in the mid-Atlantic, as at present, it would hope to channel most of them through Mercury.

International calls have been a pot of gold for telephone companies in recent years as a result of cartel practices which have kept prices artificially high.

The UK-US route is the most lucrative anywhere in the world, earning both BT and AT&T well over £100m in annual profits, and the US group may well ask why it should not try to grab a larger share for itself.

Some AT&T executives are concerned about disturbing the traditional profitable correspondent relationship with BT. Others, though, argue that BT has already declared war by buying a 20 per cent share of McCaw, the largest US mobile communications operator, and setting up Syncordia, a US subsidiary which is designed to poach some of AT&T's largest business customers.

The old correspondent relationships, which have characterised the industry for decades, are breaking down anyway. Technological advances are driving down costs while liberalisation is allowing new breeds of competitor to chip away at the market.

Earlier this month Sprint, the third largest US long-distance operator, said it planned to establish a UK network to compete with BT and Mercury.

If AT&T teamed up with Mercury, BT might feel it had no option but to do a deal with MCI, the second largest US long-distance operator.

But AT&T may have doubts about joining forces with C and W throughout the European Community. C and W's operations on the Continent are still embryonic and the US company may therefore feel it could do better on its own.

AT&T is also clearly concerned that a Labour government might change UK telecommunications policy. Some observers, though, believe the most likely change would be to block any new competition – so strengthening Mercury's position.

AT&T has looked seriously at making a sizeable investment in the UK several times – acquiring a stake in Mercury in the early 1980s, buying part of STC and taking over the manufacturer GPT as part of the Metsun consortium which considered bidding for GEC in 1989. Each time, though, it pulled out and its only significant UK acquisition to date has been Istel, which provides enhanced telecommunications services, for £180m in 1989.

Recently AT&T has been more aggressive. Last year it acquired NCR, the US computer manufacturer, after a bitter takeover bid. Only last week it formed a joint venture to build and run a telephone network in the Ukraine.

Strategic decisions within AT&T usually follow a fight between hawks and doves. Whether to link up with C and W or not will be largely determined by which group of AT&T executives has the upper hand.

Trying to make a connection

Robert Allen
chairman

Lord Young
chairman

	AT&T Year end Dec '90	Cable & Wireless Year end Jun '91
Employees	325,000	39,500
Pre-tax profits	$4.23bn	$1.08bn
Turnover	$55.98bn	$4.59bn
Millions of minutes of international out-going telephone traffic in 1990	5,780	1,291

Wheway declines to £2.8m

By Andrew Bolger

WHEWAY, the environmental engineering group, yesterday announced a sharp fall in profits and strengthened its board by appointing Mr Gareth Davies, chairman and chief executive of Glynwed International, as a non-executive director.

Pre-tax profits in the year to September 28 fell from £7.54m to £2.81m, in line with expectations, while the final dividend, as forecast, is halved to 1p on the increased capital, making 2p (3p) for the year. Earnings per share dropped from 6.44p to 2.08p.

Turnover at Birmingham-based Wheway, which has been transformed over recent years from a Midlands metal basher into an international clean air and design engineering group, fell from £120.3m to £89.3m, although the 1990 figure included £37.5m from discontinued activities. Those activities made an operating profit of £1.97m last year.

Mr John McGowan, chairman, blamed the profits decline on three factors:

- the decision to withdraw from businesses which previously made up the industrial and building products division;
- the reorganisation and investment programme in air filtration, which came on line in April;
- and the depth and duration of the worldwide recession.

Mr McGowan said the group had entered the current year with an weaker order book than it would normally expect, resulting in immediate action further to contain operating costs and conserve cash.

There were signs, however, that the order book was improving. In the UK, Cudd Bentley, which does mechanical and electrical design work for the construction industry, had taken more orders in the past six weeks than in the previous 12 months.

Overall, the first half of the current year was expected to be disappointing, but Mr McGowan expressed confidence for the outcome in the second half, assuming that the trend in orders continued to improve.

He said Synsafe, a new air filtration product, was doing "pretty well" in the UK since its launch in November. Synsafe will be launched in the US next year, and the group is negotiating to expand into Germany and Spain.

Another non-executive director will also be appointed soon, and the group then plans to move as quickly as possible to appoint a non-executive chairman so that Mr McGowan can concentrate on his role as chief executive.

Waterford Foods' I£25m rights to finance buy

By Tim Coone in Dublin

WATERFORD FOODS, the Irish dairy and foods group, has announced an I£25m (£23.3m) rights issue to part-finance its I£62m purchase of Express Ireland from Grand Metropolitan.

The 34m new A ordinary shares will be issued on a 2-for-9 basis at 74p apiece.

Waterford Co-op, the principal shareholder in the group, holding 79 per cent of the existing 153m shares, will only subscribe for 8m shares of the issue.

This will effectively dilute its holding to about 69 per cent.

Brokers in Dublin said there had been much interest shown by institutional investors in the issue, with the price being regarded as cheap. Waterford shares closed at 76p on the Dublin Stock Exchange last Friday.

Waterford's acquisition of Express puts the group alongside Dairygold as the biggest milk processor in Ireland.

It is the latest step in a rapid expansion plan which has been in train since 1988.

Then, Waterford purchased Healds Foods, near Manchester, followed by Galloway West in Wisconsin in the US in 1990, and United Co-operative Dairies in northern England last year.

In total, the group has spent an estimated I£200m on these acquisitions.

In announcing the issue, Mr Stephen O'Connor, managing director, said: "We believe that the time is appropriate to raise new equity to expand the capital base of the group and position it for further developments".

NEWS DIGEST

BT to sell alarms offshoot

BRITISH Telecommunications plans to sell Telecom Security, its alarm systems offshoot, as part of a programme of getting back to its basic business of running telephone networks.

The company has been in discussions with several possible buyers for its 90 per cent stake during the past few weeks. There is speculation that BT has been talking to other leading suppliers of alarm systems, such as Chubb and Group 4 Security as well as Mr Pedar Kolind, the Norwegian businessman who established Telecom Security and still owns 10 per cent.

The business, which has 40,000 residential and business customers, is estimated to be worth about £20m.

Intercare trebles to more than £1.5m

Intercare Group, a supplier of healthcare products, more than doubled turnover and trebled pre-tax profit in the year to end-October.

There was strong organic growth and all divisions – including dental, optical, mobility and specialist pharmaceutical – continued to trade profitably. The result included a six months' contribution from Booster Electric Vehicles and two months' from Montis Medical.

Turnover rose to £14.9m (£5.78m) and profit to £1.52m (£504,000). Earnings per share worked through at 7.5p on significantly higher capital (4.1p) and a final divided of 1.5p makes the total of 2p (1.25p).

Mr Peter Cowan, chairman, said the most significant event of the year was the acquisition of Booster and 75 per cent of Montis, which distributes healthcare products – including the electric vehicles assembled by Booster – primarily in the Netherlands.

"We have been very pleased with their performance since joining the group", Mr Cowan told shareholders.

The group had entered the current year in "a very positive manner". The UK side was showing good organic growth and there were "exciting" European operations through Montis. Net cash at October 31 was £1.23m, against an overdraft of £750,000 the year before.

Cost control helps Resort to 27% rise

Resort Hotels expanded in the half year to October 31, with turnover increasing 25 per cent and pre-tax profits 27 per cent.

A tight control on costs limited the impact on profits of revenue falling below expectations in many locations. Consequently, the result was not significantly below budgeted levels, said Mr Richard Strong, chairman.

Turnover amounted to £7.62m (£6.09m) and profit to £2.92m (£2.31m). Interest payable was virtually unchanged but interest received rose to £954,000 (£652,000). The group raised £12m via a rights issue a year ago and issued a £20m debenture last November to replace short term borrowings.

Earnings per share fell to 3.82p (4.41p) allowing for the new shares in issue, and the interim dividend is again 1.2p – a 10.7 per cent increase after the bonus element, the company claimed.

Three hotels were added to the network by way of management contracts; that brought the total to 44. Agreements had also been entered into with Country Resort Hotels and County Resort Hotels to purchase them by the end of 1992 and 1993 respectively.

Widney cuts losses by two thirds

Widney, the engineering group, continued its recovery since the management buy-in almost two years ago with a return to profit at the operating level and losses cut by two thirds at the pre-tax line.

Taxable losses for the year to September 28 emerged at £512,000 (£1.62m) after interest payable and similar charges slightly up at £941,000 (£928,000). Operating profits were £429,000 (losses £687,000) and turnover rose to £20.2m (£18.5m).

Mr David Cassidy, chairman, said: "Despite the recession, the trend of steady and substantial improvements in the results for each half year . . . has continued." Order books all round were up on last time. A return to profitability and the dividend list remained the company's aim.

Losses per share were reduced to 1.24p (5.51p).

CSG expands in north of England

Corporate Services Group, the USM-quoted recruitment company, has acquired Forward Recruitment Consultants, based in the north of England, from Vedior International for an undisclosed sum.

CSG, which was known as Southwest Resources before it sold its oil and gas activities, said the deal would increase its outlets to 49 and provide the group's first truly national exposure. "Forward provides a strategic infill to our national plans," said Mr Jeffrey Fowler, chairman.

Forward will bring about £3m in sales to CSG's £50m turnover as of last year.

Kalamazoo sale realises £4.3m

Kalamazoo, the business systems and specialist print manufacturer, has completed the sale of its shares in Great American Software to Meca Software for £4.3m.

That will be satisfied as to £2.6m cash, 800,000 of Meca loan notes and 100,000 shares. A further 140,000 shares will be issued subject to the performance of the company.

The seasonal nature of GAS's trade, combined with the depressed US economy, meant that it would show, as a discontinued activity, a substantial loss in Kalamazoo's interim results to January 31 1992.

Accordingly, the effect on Kalamazoo's balance sheet of the disposal was expected to be about neutral.

MBO at Freeman's contracting division

Freeman Group has conditionally agreed to sell its contracting division, to free management resources to concentrate on the core business of the distribution of insulation materials.

The contracting side is being sold to a management team for a nominal amount, but the division will repay £2.92m owed to the group. In the six months to June 30, the division incurred operating losses of £880,000 and net assets at completion of the sale are expected to be £350,000.

Dutch and Swedish buys for British Vita

British Vita, the polymer company, has acquired companies in the Netherlands and Sweden with combined sales of £15m. The total consideration is £5m and represented a modest premium over net assets.

The Dutch purchase is Norma Boxmeer, a mattress company, and the Swedish buy is the Sporda Group, which has two fibre processing operations.

Loss and dividend cut forecast by RPS

After allowing for exceptional reorganisation costs, RPS Group is expected to incur a significant loss for 1991, and the dividend is to be cut.

The final will be 0.6p for a total of 2p, against 3.2p in 1990 when the group made a pre-tax profit of £1.74m.

RPS, engaged in environmental consultancy work, is reorganising its operations in England from 10 local offices into four regional centres. The Scottish and Irish operations already have regional centres.

It will cost £800,000, principally relating to disposal of leases and staff relocation, which will be phased over 18 months.

Management accounts showed the group traded at about break-even in July-November, after producing a pre-tax profit of £302,000 (£907,000) in the first half. The reorganisation will produce immediate and sustainable operating cost savings, the company said.

The proposed dividend reflected the group's future prospects.

VTech reduces debt with sale of stock

VTech, the Hong Kong-based, Bermuda-registered, electronics, computers and telecommunications group which came to the market in October 1991, has sold 2.24m shares of common stock in CPS, a US software house, for $19m (£10.6m) cash.

The disposal reduces VTech's holding in CPS from 34.5 per cent to 21.5 per cent.

CPS specialises in the development of personal computer software utilities. In the year to end-March 1991 it made a pre-tax profit of $12.6m from total revenues of $53.8m and had net assets of $12.9m.

Proceeds of the sale will be used to reduce VTech's debt.

UniChem buys six more pharmacies

UniChem, the pharmaceutical wholesaler, has acquired six pharmacies, primarily in North Wales.

The combined consideration was £2.05m for goodwill. Annual turnover of the shops totalled £3.2m.

Mr Peter Dodd, chief executive, said the recent rights issue had provided the company with the cash resources to take advantage of lower prices available in the retail pharmacy market.

UniChem has acquired 136 shops (including the 92 outlet chain of E Moss) since it started to purchase pharmacies in March 1991.

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LEGAL NOTICES

SW REALISATIONS LIMITED
(FORMERLY SOLAR WINDS LIMITED)
(IN RECEIVERSHIP)
PEGASUS TRANSPORT SYSTEMS LIMITED
(IN RECEIVERSHIP)
PEGASUS FLIGHT TRAINING LIMITED
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Cork Gully, 9 Greyfriars Road, Reading RG1 1JG at 10.30 am on Tuesday, 4 February 1992 for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to me at the address shown below, no later than 12.00 hours on Monday, 3 February 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986, and

(b) there has been lodged with me any proxy which the creditor intends to be used on his behalf

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned: photocopies (including faxed copies) are not acceptable

Dated 15 January 1992

J M Iredale
Joint Administrative Receiver

Address to which proxies should be delivered.
J M Iredale
Cork Gully
9 Greyfriars Road
Reading
Berkshire RG1 1JG

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
PARALLEL PUBLISHING LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at The Palace Hotel, 31 Great Cumberland Place, Marble Arch, London W1, on 31st January 1992 at 12 noon for the purposes provided for in Section 99 et seq.

A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.

Dated this 16th January 1992
P.J.C. Walker, Director

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
EUROCENTRES PLC

NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at The Palace Hotel, 31 Great Cumberland Place, Marble Arch, London W1, on 3rd February 1992 at 12 noon for the purposes provided for in Section 99 et seq.

A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.

Dated this 16th January 1992
R. Richardson, Director

ART GALLERIES

GARTMORE JAPAN WARRANT FUND
Societe d'Investissement à Capital Variable
Allée Scheffer, 39
L-2520 Luxembourg
RC B 23.667

NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The shareholders of GARTMORE JAPAN WARRANT FUND are hereby convened to attend the Annual General Meeting of shareholders to be held at the registered office of the Company on 7th February 1992 at 11.30 a.m. with the following Agenda:

1. Reports of the Chairman of the Board of Directors and the Independent Auditor.
2. Approval of the Statement of Net Assets as at 30th September 1991, and the Statement of Operations for the year ended 30th September 1991.
3. Appropriation of net results.
4. Discharge of the Directors and the Independent Auditor.
5. Re-election of the Directors to serve until the next Annual General Meeting.
6. Re-election of the Independent Auditor to serve until the next Annual General Meeting.
7. Miscellaneous.

Decisions on the above items require no quorum and may be passed by a simple majority of the votes present or represented.

The holders of bearer shares should deposit their shares at least five clear days in advance of the meeting at Banque Indosuez Luxembourg, 39, Allée Scheffer, L-2520 LUXEMBOURG, Grand Duchy of Luxembourg.

By order of the Board of Directors.

NORTHERN ROCK
BUILDING SOCIETY
£100,000,000
Floating Rate Notes
Due 1995

Interest Rate:
10.8125% per annum

Interest Period:
20th January, 1992 to
21st April, 1992

Interest Amount per
£5,000 Note due
21st April, 1992: £135.89

Interest Amount per
£50,000 Note due
21st April, 1992: £1,358.95

Agent Bank
Baring Brothers & Co., Limited

U.S. $250,000,000
Security Pacific Corporation
Floating Rate Subordinated Capital Notes due 1997

Noteholders are advised that for the Interest Period from November 21, 1991 to February 20, 1992 inclusive, the sum of U.S. $128.82 will be payable on the interest payment date, February 21, 1992, per U.S. $10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
January 20, 1992
CHASE

CORRECTED NOTICE
ECU 200,000,000
Crédit Foncier de France
Floating Rate Notes due 1996

For the period from January 20, 1992 to April 21, 1992 the Notes will carry an interest rate of 10.3625% per annum with an interest amount of ECU 264.82 per ECU 10,000 and of ECU 2,648.19 per ECU 100,000 Note.

The relevant interest payment date will be April 21, 1992.

Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

Production cuts steady oil prices

By Deborah Hargreaves

OIL PRICES edged up slightly yesterday as two more producers from the Organisation of Petroleum Exporting Countries announced symbolic cuts in output.

North Sea Brent crude for March delivery was 10 cents higher at $18.10 a barrel as Algeria and Iran said they would cut production. Algeria will trim 20,000 barrels a day (b/d) from its output of 800,000 b/d and Iran will cut 50,000 b/d from its production of 3.5m b/d in a bid to bolster prices.

The moves follow cutbacks announced last week by Venezuela, Libya and Nigeria, which between them cut 130,000 b/d. But the organisation's largest producer, Saudi Arabia is unlikely to cut its own production in advance of Opec's next meeting on February 12.

The small production cuts are unlikely to have a major effect on oil prices, but have so far managed to stop them sliding. Dubai prices for March delivery are still $6 a barrel below the Opec target price of $21 a barrel.

Nevertheless, the voluntary production cuts signal to the market that Opec producers are ready to co-operate over more substantial cutbacks in February rather than become embroiled in a row. Saudi Arabia has consistently maintained that it will bear its part of output cuts as long as other countries share the burden.

Norway overtakes UK in North Sea output

NORWAY HAS overtaken Britain as Europe's biggest offshore producer of crude oil and natural gas liquids, according to a report issued by Edinburgh-based brokerage house County NatWest WoodMac, writes Karen Fossli in Oslo.

Last year Norway's crude oil and gas liquids production climbed to a record 1.94m barrels a day, a 13 per cent rise over 1990's daily average production of 1.72m barrels and confirming an earlier forecast by County.

According to the report, North Sea offshore oil/gas liquids production rose 4 per cent in 1991 to a record 3.89m barrels a day and average total North Sea gas production reached a record 9.98bn cu ft a day. Norway's aggregate level of oil/NGL and gas production advanced 12 per cent in 1991 to 876m barrels of oil equivalent.

Exploration activity off the coast of Norway increased by 34 per cent, with a total of 43 exploration and appraisal wells drilled. Nine discoveries were made out of 28 exploration wells drilled, giving a success rate of 32 per cent.

Some 23m barrels of oil equivalent per exploration well was discovered, on a par with 1990's result, County's report said, adding: "1991 can be considered to have been a reasonably successful year for exploration on the Norwegian shelf with substantial new reserves of both oil and gas being found." The report concluded that discoveries and reserves' upgrades led to a total increase in Norway's reserve base of about 920m barrels of oil equivalent, closely matching aggregate production in 1991.

LME secondary aluminium trading backed

By Kenneth Gooding

ODDS IN favour of the London Metal Exchange's proposed secondary (scrap) aluminium contract have improved considerably after a special LME committee, set up 16 months ago to consider the idea, recommended that the new contract be introduced.

But the LME directors are procrastinating about the controversial project and have neither rejected nor supported this recommendation.

Instead, members of the exchange have been given one more month to comment on detailed proposals that have been circulated.

The type of secondary aluminium the LME has in mind for its contract is mainly used in components for the motor industry. This use accounts for 70 to 80 per cent of the market, which totals about 4m tonnes a year.

The LME has told members it would not authorise any warehouse to hold the secondary metal unless the warehouse temperature and humidity were controlled. This is because secondary aluminium ingot oxidises and deteriorates over time.

At present none of the LME authorised warehouses around the world provides such controls. However, the exchange says many of them do have temperature-controlled sheds.

Mr Martin Abbott, the LME's director of marketing, said yesterday that it was likely that the members' comments would be considered at the exchange's March board meeting. He said it would take at least six months from the go-ahead being given for trading to start.

Producers seek stronger rubber pact

By Lim Siong Hoon in Kuala Lumpur

THE INTERNATIONAL Natural Rubber Organisation convenes for a two-day special council session in Kuala Lumpur today faced with producer demands for a more effective defence of prices.

Producer members meeting last week in Hatyai, south Thailand, agreed a common strategy aimed at preventing rubber prices falling below the International Rubber Agreement's lower intervention, or "must buy" level of 166 Malaysia/Singapore cents a lb.

Since the last Inro meeting, in October, producer members, led by Malaysia, have been urging on consumer members the need for reform of the agreement to enable it to keep prices within the agreed range through the operation of its buffer stock system. But they have met with stiff resistance from consumer members, especially the US. Some argue that market realities demand lower support bands.

The present agreement, Inra II, has less than two years to run, and producers are anxious for serious negotiations to begin on its successor, especially in view of the recent slide in prices and what they see as an inadequate response from the buffer stock manager. The buffer stock now stands at about 100,000 tonnes, less than a fifth of the maximum level.

Late last year Inro's Kuala Lumpur-based secretariat promised that the organisation would enter the market in a "pretty aggressive" fashion after the new year holidays. But a dip below the "must buy" level earlier this month resulted in only modest buffer stock purchases before prices bounced by a couple of cents – to the surprise of some traders.

The agenda for this week's council meeting includes a review of the options available to cope with the market's realities: for example by revising its support prices – whether upwards or downwards would depend as much on politics and the availability of financial backing as on the secretariat's recommendations.

Saudis reap bumper wheat subsidy

Mark Nicholson in Riyadh

SAUDI ARABIA'S wheat farmers will receive SR7.9bn ($2.1bn) in payment for the 1991 harvest, which reached a record 4m tonnes, under the kingdom's heavily subsidised agriculture programme.

King Fahd, the Saudi ruler, issued the directive last week for the payments, which amount to farmers receiving up to $500 a tonne for their wheat, a massive subsidy over world prices of just over $100 a tonne.

The subsidy programme was introduced during the early years of Saudi Arabia's oil boom in the 1970s, and was designed to ensure the kingdom's self-sufficiency. The programme was also intended to provide employment in rural areas to the north-west of Riyadh, where there was no direct economic spin-off from the growing earnings country's oil industry.

However, this year's bumper harvest has swollen the kingdom's already large surplus of wheat. Saudi Arabia's grain stores, which have a capacity of 1.4m tonnes, are already full, after 1990's 3.6m tonnes' harvest. Domestic consumption is about 1m tonnes.

The kingdom, which has taken sixth place in the world's wheat export league since its 152,000 farms responded to government incentives to cultivate wheat, is expected to sell much of its surplus on international markets at world prices. Diplomats say they also expect a large amount to be offered in aid to poorer Moslem countries, and suggest that some may be sent to the newly independent central Asian states of the former Soviet Union.

The kingdom became self-sufficient in wheat in 1984, following the generous subsidy programme. However, the recent surpluses have led the government to encourage farmers to switch to the production of barley, by insisting that farmers gain licences to produce wheat. Saudi Arabia produces 400,000 tonnes of barley every year, but needs to import up to 5m tonnes to feed sheep and camel herds.

Wheat production still remains more attractive, however, to most farmers, who cultivate the crop on huge pivot-irrigated circles in the desert. Some critics of the programme argue that this is leading to a dangerous depletion of Saudi Arabia's scarce water resources. Agriculture accounts for about 90 per cent of Saudi water consumption.

Soviet uranium sales target 'impossible'

By Kenneth Gooding, Mining Correspondent

URANIUM MARKET analysts yesterday said it was impossible for the former Soviet Union's Atomic Energy Ministry to make good its objective of boosting uranium exports this year from $500m to $1.5bn.

"They haven't a cat's chance in hell of doing that," said Mr Phillip Crowson, chief economist at the RTZ Corporation and chairman of the Uranium Institute's committee studying supply and demand.

Other analysts pointed out that the west's requirement for uranium was 120m to 130m lbs a year. Exports from the former Soviet Union had already sent prices to 40-year lows. At present prices the ministry's target implied that it aimed to sell more than 150m lbs of uranium oxide in the west in 1992. Even if some of the material was highly-enriched uranium, commanding a higher price because it required no further processing before use by power stations, the target was unreachable.

Analysts said the ministry, which is still operating despite the break-up of the Soviet Union, was "sabre rattling" to retaliate against allegations in the US and Europe that it was dumping uranium in those markets.

One suggested: "This is shock therapy aimed at the US producers to underscore the fact that the former Soviet Union is serious about selling fuel to the west and won't be blocked by any anti-dumping case in the States".

The former Soviet Union had about 400m lbs of uranium in strategic stocks, according to a paper presented by Nuexco, the US nuclear market consultancy organisation, last year. Of the total, only about 40m lbs was of commercial quality and available for sale. About 240m lbs was highly-enriched uranium and the rest was held by domestic power plants.

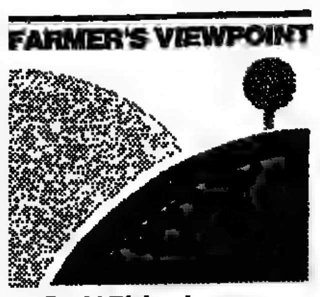
Uranium has only one application – for nuclear energy. It is mined it four Soviet republics: Russia, Ukraine, Kazakhstan and Uzbekistan. Mr Albert Shishkin, head of the Atomic Energy Ministry's export division, pointed out last week that the republics accounted for 45 per cent of the world's known uranium reserves and 25 to 30 per cent of the mining, processing and enriching capacity. Yet they accounted for only 6 per cent of uranium world production.

He issued a thinly-veiled threat that anti-trust action by the US and Europe might drive the ministry to seek other markets "where it is much harder to carry out full control over the distribution of radioactive products".

UK lamb producers have to gird up their loins

Export demand is propping up prices although the EC support system has been given the chop

FARMER'S VIEWPOINT



By David Richardson

THE RAINDROPS were as big and cold as I ever remember. The sleet mixed with them was travelling horizontally in the strong wind and the abominable mixture invaded my eyes, my ears and the tiny gap between my coat and my neck. At times it was even difficult to breathe.

As I continued setting the new fold (that is putting up electric fences on fresh ground) for the 500 or so hungry lambs grazing turnips sown into stubble last summer after cereals had been harvested, I cursed the day I had agreed to allow my son, who usually looks after the sheep, to go skiing.

By the time I had finished the job I was soaked to the skin and very uncomfortable. I had not taken waterproof leggings because it had been fine when I set out. My corduroy trousers had therefore quickly become saturated and acting as a wick had carried moisture upwards into my underpants and the tail of my shirt. Gravity had meanwhile allowed a fair quantity of water down into my Wellingtons so that I was squelching around with about half an inch of cold water in my boots.

This all took place just a few days after the end of last year when the European Community had finally removed the variable premium for lamb that had provided a valuable safety net for sheep farmers since it had been introduced in 1980. While it operated it made up the average ex-farm price of eligible UK lambs of good quality to preset guide levels calculated each week.

As I battled with the elements on that exposed field not knowing whether the lambs I was trying to feed would make economic prices in the open unsupported market, I seriously began to wonder if sheep farming would in the future be worth all the trouble – and discomfort.

Last Saturday however the trade at Norwich livestock market made me pause and think again. Lambs being auctioned on a per head basis and ungraded were making almost as much as they would have grossed a few weeks ago with the market price and the variable premium combined. The same has been true across most of the auction markets in the country since the premium was abolished.

There are, however, a number of reasons for this brisk trade, not least the ending of the premium itself. The fact is that, because of the uncertainty about what would happen when it finally disappeared, farmers who had lambs that were anywhere near ready for slaughter by the end of last year fed them extra rations to make them grow faster and ensure they would make the grade and qualify for a premium payment while the scheme lasted.

This meant that the number of lambs offered for sale during the last week of the scheme were up on normal. The Meat and Livestock Commission estimates that the markets from which it collects data (probably accounting for about 60 per cent of all lambs sold at auction) handled 280,000 lambs during the week ending January 3, the last week of the variable premium scheme, and that the same markets sold only 46,000 the following week.

Further, the MLC estimates that about 15 per cent more lambs were sold during the last few months of 1991 than in the same period the previous year. Given that the number produced in both years was similar, this must mean that there are many fewer to come to market by the end of the lamb marketing year in a couple of months' time.

So there is now a shortage, and this is being exaggerated by a lively export trade to France and beyond. Moreover, the "clawback", the amount previously reclaimed from exporters on all lambs sent abroad and which was equal to the variable premium (which was unique to the UK and intended only to support domestic trade while not distorting foreign markets) has also been abolished.

For lambs intended for the export trade therefore the effect of the changes has been to cancel out all artificial barriers to trade and enable the animals concerned to be sold at their true market value. That is the reason why the market has risen to cover virtually all of the lost premium.

But the good news for sheep farmers does not stop there. Coincidental with all this activity in the EC's domestic markets supplies of all meats, including lamb and mutton, from Poland and Hungary, which have been overhanging and depressing EC markets since those countries were given access to them, have suddenly dried up.

Much of this mainly low quality meat has been bought to satisfy Europe's growing appetite for curries, kebabs and the like. But now the former Eastern bloc countries seem to want to retain more food at home and the meat traders of Europe are having to look elsewhere.

They have turned in part to British cull ewes, that is old ewes that have lost their teeth and cannot forage efficiently or have been judged unfit for further breeding. In recent weeks the value of such animals has almost doubled.

To the sheep farmer it means that he can, for the moment anyway, dispose of his spent stock at prices not far short of those he might have made for young replacement ewes last autumn, when the market for such replacements was depressed by the uncertainty surrounding the end of the variable premium.

The one thing that may stop wholesale culling, which would reduce the national flock significantly and do all us sheep farmers a favour, is the need to keep the declared number of ewes on each holding until at least March 9 in order to qualify for the increased headage payment of £15, which is now the only government aid available to lowland sheep farmers.

Indeed come the long-promised reform of the EC's common agricultural policy this will probably be the shape of the future for most farm commodities; payments for simply being on the land and keeping it tidy and grazed, with strict limits soon to be imposed on the number of animals or acres each farmer can claim for, and the rest from the market.

Frankly it is not a system for which I have an instinctive liking. But all in all the sheep version has got off to a reasonable start and flock owners will not be too unhappy if it continues as it has begun.

The danger is of course that exports, on which the buoyant trade is currently based, may not last at present levels. Then sheep farmers will have to rely much more on domestic demand. This has held up well in recent years in spite of competition from frozen New Zealand supplies retailed at prices much lower than those for fresh English lamb. It is well known, however, that this market premium for fresh English lamb is a fragile flower. If the abattoir trade pushes it just a touch too far retailers will, without compunction, switch to New Zealand supplies. That and another experience like the one on the turnip field, may still make me reconsider whether we really need the sheep enterprise on our farm.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed more than $2 ahead in active trading in London after European buying spilled over on to New York's Comex, pushing the metal through key resistance at $358 a troy ounce. Gold peaked in early afternoon business in New York at just below $361 as traders engaged in active gold-silver ratio trading before producer selling capped gold's rise. Silver recovered from a fall to 419 cents a troy ounce to close in London just 2 cents down at 428, underpinned by US fund buying. On the LME three-month nickel hit 3½-month highs before retreating on profit-taking. Cash metal closed lower, but three-month metal ended higher, supported by underlying investment fund buying interest. "The market has become overbought, but the charts still look good...and there is concern over Russian nickel," one dealer said. Fears that Russian nickel plants could be closed on either economic or environmental grounds might be overdone, as the republics in the old Soviet Union need foreign exchange. Aluminium prices moved sharply higher before profit taking and hedge selling curbed the gains. Market talk of possible delays to Russian shipments because of increased export tax bureaucracy aided the tone.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.10-5.15q	+.095
Brent Blend (dated)	$18.40-8.50	
Brent Blend (Mar)	$18.10-8.15	+0.05
W.T.I. (1 pm est)	$19.10-9.20q	+.125
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$203-205	
Gas Oil	$178-179	+1.5
Heavy Fuel Oil	$80-82	
Naphtha	$180-185	-2.5
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$358.425	+2.00
Silver (per troy oz)♣	428.0c	-2
Platinum (per troy oz)	$343.75	-4.25
Palladium (per troy oz)	$84.25	-0.75
Copper (US Producer)	100.7c	+0.75
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.30r	+0.1
Tin (New York)	252.5c	
Zinc (US Prime Western)	82c	
Cattle (live weight)†	105.48p	-1.43*
Sheep (live weight)†♠	102.29p	-1.89*
Pigs (live weight)†	84.51p	-0.07*
London daily sugar (raw)	$215.0t	+2
London daily sugar (white)	$258.0t	+0.5
Tate and Lyle export price	£227.0	-2.0
Barley (English feed)	£120.5	-1
Maize (US No. 3 yellow)	£147.5	
Wheat (US Dark Northern)	£101	
Rubber (Feb)♥	51.00p	-0.25
Rubber (Mar)♥	51.00p	
Rubber (KL RSS No 1 Feb)	215.5m	
Coconut oil (Philippines)§	$735y	+10
Palm Oil (Malaysian)§	$390.0q	-2.5
Copra (Philippines)§	$485t	-2.5
Soyabeans (US)	£148.0	-1.5
Cotton "A" index	59.05c	
Wooltops (64s Super)	415p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Mar	184.20	187.20	187.40	184.00
May	184.40	187.80	188.00	185.00
Aug	187.40	190.60	189.20	189.00
Oct	188.00	191.30	189.80	
Dec	186.40	189.00	188.00	
White	Close	Previous	High/Low	
Mar	266.2	270.0	268.4	265.3
May	268.7	274.5	271.5	268.5
Aug	271.5	277.0	273.0	270.8
Oct	260.7	263.5	260.1	258.0
Mar	261.8		261.0	

Turnover: Raw 501 (551) lots of 50 tonnes. White 1312 (1522)
Paris- White (FFr per tonne): Mar 1488.37, May 1495.03

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Mar	18.01	18.32	18.37	18.00
Apr	17.88	18.08	18.20	17.86
May	17.76	17.98	18.08	17.74
Jun	17.76	17.90	18.10	17.90
Jul	17.76	17.90	17.92	17.90
Aug	17.80	18.00	17.98	17.80
IPE Index	18.23	18.45	18.45	

Turnover 23487 (24000)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Feb	173.50	171.75	174.75	172.50
Mar	171.50	170.50	173.50	170.75
Apr	168.75	168.00	171.05	168.75
May	167.50	167.00	169.50	167.50
Jun	167.50	167.00	170.25	167.50
Jul	168.50	168.50	170.00	167.50
Aug	170.50	170.50	170.50	
Sep	172.00	172.50	172.50	172.00
Oct	174.50	174.50	173.50	

Turnover 12634 (13156) lots of 100 tonnes

TEA

There was good general demand, reports the Tea Brokers' Association. Lanked assams met improved competition but mostly at lower levels although plain descriptions came to a firm market. Brightest liquoring East Africans were again a strong feature particularly pekoe dusts. Medium and plainer sorts remained about steady. Ceylons were well supported at firm to dearer rates. Offshore less demand with prices tending easier. The highest price realised this week was 211p for an assam gbop.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	743	745	746	739
May	771	772	775	766
Jul	799	799	801	794
Sep	820	822	825	818
Dec	850	855	856	846
Mar	879	880	885	876

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 38,954 lots	
Cash	1205-06	1187.5-8.0	-	1221.5-22.5		
3 months	1229.5-30.0	1212-3	1255/1214	1245-6	1231.5-2.0	190,763 lots
Copper, Grade A (£ per tonne)					Total daily turnover 25,972 lots	
Cash	1207-08	1209.5-10.5	1206/1205	1205.5-6.0		

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Feb	18.89	19.16	19.22	18.87
Mar	19.04	19.29	19.35	0
Apr	19.14	19.32	19.37	19.10
May	19.13	19.29	19.32	19.18
Jun	19.12	19.27	19.32	19.18
Jul	19.11	19.26	19.27	19.16

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	571/0	576/6	576/4	[illegible]
Mar	573/6	579/0	579/4	571/4
May	581/4	586/0	587/0	579/0
Jul	590/6	595/2	596/0	588/4

New York

LONDON STOCK EXCHANGE

Equities rally to close at day's highs

By Steve Thompson

London's equity market battled gamely throughout a tense but generally thin trading session to close with overall small gains, having recovered from widespread and often double-figure losses earlier in the day.

Triggering a late and determined rally by blue-chip shares was a whisper of an imminent sizeable corporate deal, possibly involving a Footsie stock, and a remarkable turnround in the futures market.

The FT-SE 100-share index closed at the day's best level, up 8.2 at 2,544.9, having been down to 2,520.3, or 16.4 Footsie points, within two hours of the opening.

The market opened in a rather fragile mood, with marketmakers clipping prices across the board, to head off some attempted early selling caused by the latest opinion polls published over the weekend which showed the Conservatives and Labour running virtually neck and neck. Adding to the generally uneasy mood at the outset was a sizeable fall by the Tokyo market and Wall Street's dip last Friday.

More gloom came in the shape of an undeniably bearish review of retail sales over the Christmas period published by the Confederation of British Industry. This bearish picture for retailers was confirmed in mid-morning by official Government statistics on retail sales for December which were a provisional 1 per cent lower during the period. Rather optimistically, the market had been expecting retail sales to have been at worst only marginally lower in December.

After the statistics were known store shares were among the market's unhappiest areas, reacting to the figures and also to a broker downgrade of Kingfisher, one of the most important store counters. Marks & Spencer and GUS also came in for a flurry of selling but most rallied as the day wore on.

There was no shortage of bearish stories in other areas of the market. Dealers went gunning for British Aerospace as the group confirmed the departure of its finance director and a claim for £80m from Asda, the supermarket group, in the wake of a property joint venture between the two groups.

Water and electricity shares stumbled as institutions looked hard at opinion polls and awaited news this week of the date of the budget.

Vodafone topped the active stocks list as a leading agency broker placed a near-5m block of shares ahead of a series of presentations to stockbrokers and institutions. Abbey National shares fell away after UBS Phillips & Drew lowered their profits expectations.

An early slide by the Footsie future kept the cash market on the defensive, but the whole picture changed during the afternoon. Wall Street opened lower but then started a slow recovery, and the Footsie future began to accelerate boosted by a late spate of institutional buying orders. An opening 16 points premium was turned into a 33 points premium by the close.

Senior marketmakers in the stockmarket were more than happy with the market's performance; "There was very little selling, quite the reverse," said one dealer who pointed out that there had been a persistent supply of buying orders into the market even when the Footsie was 16 points lower. Turnover was a rather disappointing 418.2m shares, compared with last Friday's 587.2m.

Account Dealing Dates		
*First Dealings:		
Jan 13	Jan 27	Feb 10
Option Declarations:		
Jan 23	Feb 6	Feb 20
Last Dealings:		
Jan 24	Feb 7	Feb 21
Account Day:		
Feb 3	Feb 17	Mar 2

*New-time dealings may take place from 8.30 am two business days earlier.

BAe falls after twin setback

BRITISH Aerospace (BAe) fell heavily early in the session on weekend press reports, later confirmed by the company, that the finance director was to resign and that BAe faced an £80m claim from Asda over an agreement concerning Burwood House, a 50 per cent jointly owned property operation. BAe said it expected to reach an agreement over the claim very soon and had made provisions for the losses.

Mr Sandy Morris of County NatWest said: "Problems on the property side are not a surprise, but it is disappointing that further problems have emerged."

The market took the view that the finance director's departure was further fall-out from last year's £432m disastrous rights issue at the company. An analyst commented: "The market has been demanding that further heads must roll and they have now got one." Mr Chris Avery at Smith New Court simply called today's news "another couple of disappointments for this accident-prone company".

Bargain hunters, however, ensured that the shares recovered from the day's worst, eventually ending 12 off at 302p on turnover of 4.6m. At their worst the stock touched 288p. Asda had an unexceptional day. The stock firmed a penny to 36½p on volume of 12m.

Gas busy

British Gas improved 3 to 246p on heavy turnover of 7m shares, with much of the buying coming from Smith New Court. There was a story that Gas may be considering the spin-off of a large part of its industrial gas marketing operation in a move that would allow it to meet the gas regulator's market objectives without undue damage to shareholder value.

Mr Steve Turner, energy specialist at Smith, said that after the creation of such independent companies they would be given to Gas's existing holders, perhaps on a one-for-one basis, or alternatively floated on the stock market.

Vodafone active

A big placing of Vodafone shares, said to have been carried out by James Capel, left the stock as the most heavily traded in the market. The Seaq ticker revealed a block of 4.9m shares dealt at 352p and another similar sized block traded at 355p.

The deals, carried out at substantial discounts to the ruling market price, left Vodafone 8 lower at 363p. Volume was a heavy 12m.

The placing underlines a cautious tone on the shares, which had brightened in the last quarter of 1991 as signs emerged that the cellular market was picking up. However, the recovery has failed to materialise and analysts have again been bearish. This month both BZW and Phillips & Drew have turned cautious on the shares.

Kingfisher falters

Government statistics showing poor retail sales for December, as well as a forecast cut by one securities house, affected Kingfisher, which fell 10 before rallying with the market to close a net 8 off at 494p in a depressed stores sector.

County Natwest lowered its profits prediction for 1991 to £207.3m from £214m, mainly in reaction to competitive pressures in the do-it-yourself market and its Comet electrical goods chain.

The whole sector was weak after the government announced that UK retail sales fell a provisional seasonally-adjusted one per cent in December, giving a year-on-year decline of 0.4 per cent.

Recent Footsie constituent W.H. Smith "A" lost 12 to 461p ahead of interim results on January 29, while Marks and Spencer declined 6 to 296p.

Publisher Reed International was weak at the expense of Pearson after securities house S.G. Warburg published a hefty re-evaluation of the media sector yesterday. Reed receded 5 to 523p while Pearson improved 10 to 765p.

The 20-page document will be the basis of a series of meetings with institutional clients over the coming weeks. Warburg reduced its 1992 forecast for Reed by £10m to £220m and that for next year by £15m to £256m on consideration of currency factors.

It argues that although Reed's outperformance was justified, there is a case for "near-term profit-taking". On the other hand, it reasons that: "The strength of Pearson's balance sheet will continue to underpin the price (of the shares)."

Pharmaceuticals company Glaxo rose 26 to 864p on a reassessment of the sector following heavy selling last week and good news on one of its products. The company reported that it had been granted a licence to market its Serevent anti-asthma drug in Italy.

There was a further announcement that the company had sold 30 of its pharmaceuticals brands to drugs company Medeva, which moved up 12 to 228p on the news.

Fisons rallied 19 to 353p, with the shares receiving added encouragement ahead of its research and development meeting.

Securities houses S.G. Warburg and Kleinwort Benson were also said to be discussing the company with clients. Warburg refused to comment but Mr Ian White of Kleinwort said he had been repeating his recent buy stance on the stock.

Wellcome, up 16 at 1050p, was helped by a forecast upgrade from Smith New Court, which has raised its estimate for the year ending in August by £10m to £500m.

A sharp rise in Abbey National last week was reversed after securities house UBS Phillips & Drew cut its forecast for the bank's profits. The shares lost 8½ to 290p.

UBS reduced its 1992 figure by £60m to £635m and its dividend forecast to 11.15p from 11.75p. It changed its stance from hold to trading sell. The house believes the recent cut in the mortgage rate will squeeze margins and the bank will suffer more than previously thought from high mortgage arrears. UBS was an aggressive seller of Abbey and a buyer of TSB following well-received results last week. TSB gained 3 to 132½p.

Conglomerate Lourho regained lost ground on hopes that the group will hold its annual dividend at 16p in spite of an expected drop in profits when it announces full-year results on Thursday. The shares rose 14 to 164p with 7.6m traded.

James Wilkes jumped 30 to 189p after the company confirmed market speculation that it had received a bid approach.

Rank Organisation moved ahead 19 to 635p as unconfirmed reports said that the leisure group had sold its Royal Garden Hotel for between £50m to £70m.

Overseas investors, particularly Japanese, were sellers of electricity issues. National Power lost 2½ to 188½p but PowerGen ended 2 firmer at 149p following brisk turnover of 9.2m and 7.6m shares respectively.

Activity in the building and construction sector was again dominated by the Steetley bid for Redland, with the former losing gains made on Friday. Positive sentiment had been prompted by market talk of other parties entering the fray, with ECC interest in Steetley favourite. However, a weekend statement by ECC denying the speculation left Steetley 4 cheaper at 377p.

Redland gained 4 to 477p, while ECC put on 9 to 494p.

Buy notes from BZW, among others, helped Blue Circle add 9 at 259p. Profit-taking in Meyer International left the builders supplier down 12 at 411p.

● From today, the Financial Times will publish the gross dividend yield on the FT-SE 100 index. It will appear each day in the panel at the bottom of the left-hand columns of the front page. The yield on the FT Ordinary index will continue to appear on this page as before.

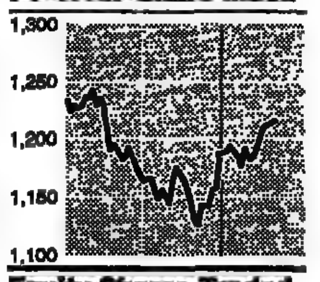
The yield calculation is the same as that used in the FT-Actuaries All-Share index. It is obtained by multiplying total gross dividends payable of the index constitutents by their number of shares in issue, and dividing the result by the total market capitalisation of the companies in the index. The resulting figure is multiplied by 100 to give a percentage rate.

"Running gross dividends" are used: last final dividend plus latest interim dividend, or vice versa, with the tax credit added. The approach differs from that used in the London Share Service pages, where the yield is based on the last annual gross dividend.

MARKET REPORTERS: Peter John, Joel Kibazo, Christopher Price, Steve Thompson.

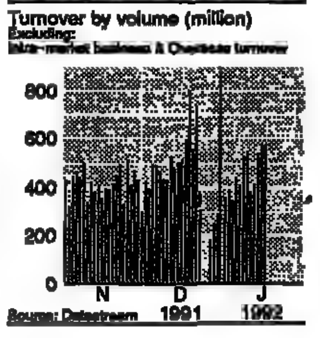
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 27.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (32). BRITISH FUNDS (1) Treas. 8¼pc 2007 A, OTHER FIXED INTEREST (1) Intl. Amer. Dev. Bk. 12½pc 2003, AMERICANS (1) Utd. Tech., CANADIANS (3) Amer. Barrick Res., Brascan, Can. Pacific, BUSINESS SERVICES (4) Barbour Index, [illegible], PCO, Wilk., CHEMICALS (1) MTM, CONTRACTING & CONSTRUCTION (1) Mott (Henry), ELECTRICALS (3) Chemring, Philips, Unidare, ELECTRONICS (6) Domino Printing, Druck, Micro Focus, Norsk Data, Telemetrix, ENGINEERING GENERAL (6) Elswick, Mayflower, [illegible], Victaulic, Weir, Wilcox (J), FOOD MANUFACTURING (3) BSN, Dalepak, Galveston (Christian), FOOD RETAILING (3) Iceland, Kwik Save, Park Food, HEALTH & HOUSEHOLD (1) Warners, HOTELS & LEISURE (2) Eurocamp, Granada, INVESTMENT TRUSTS (7) City of Oxford Zero Prf., Fleming Intl. High Zero Prf., Scottish Natl. Stpd. Prf., Scottish Value, Templeton Emg. Mkts., Do. Wrrnts., Do. 4pc Ln. 2001, MEDIA (2) Central ITV, Trinity Intl., MISCELLANEOUS (1) Le Creuset, OIL & GAS (2) NZ, Total B, OTHER FINANCIAL (4) Haw Par, Jardine Strategic, Latin Amer. Extra Yield, Templeton Galerain, PACKAGING, PAPER & PRINTING (1) Smurfit (J.), STORES (1) Lloyds Chemist 7.8p Prf., TEXTILES (2) Campari Intl., Stoddard, TRANSPORT (2) BAA, Sea Containers, MINES (2) Dalgety Engin., Randfontein Ests.

NEW LOWS (34). BUSINESS SERVICES (1) Rentokil[illegible], CONGLOMERATES (1) Gleves, CONTRACTING & CONSTRUCTION (3) Jarvis, Laing (J.) A, McLaughlin & Harvey, ELECTRICALS (2) Clarke (T), Wholesale Fittings, ELECTRICITY (1) Scottish Power, ELECTRONICS (1) Sema, ENGINEERING GENERAL (3) Dyson (J & J), MS Intl., FOOD MANUFACTURING (2) Acatos & Hutcheson, Linton Park, HEALTH & HOUSEHOLD (1) Hospital Corp., HOTELS & LEISURE (2) Kunick, Pickwick, INSURANCE BROKERS (1) Durham (DG), INVESTMENT TRUSTS (4) [illegible] Tech., Contra-Cyclical Cap., GT Venture Wrrnts., I & S UK Sm. Co's. Wrrnts., MISCELLANEOUS (2) Sutton, Stonehill, OIL & GAS (1) Hardy, OTHER FINANCIAL (2) Japanese Wrnt. Fd., Schroder Jap. Wrnt. Fd., PROPERTY (3) Capital & Counties, Marivale Moore, Palmerston, TEXTILES (1) Lister, TRANSPORT (3) All Nippon Airways, Bergesen A, MINES (2) Anglovaal, De Beers Lkd. Uts.

FINANCIAL TIMES STOCK INDICES

	Jan 20	Jan 17	Jan 16	Jan 15	Jan 14	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.82	87.74	87.60	87.48	87.07	84.00	87.94 (16/9/91)	82.17 (2/1/91)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	100.08	99.90	99.77	99.56	99.36	91.60	100.08 (20/1/92)	90.59 (2/1/91)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1971.9	1966.8	1958.3	1940.6	1910.4	1630.6	2105.3 (2/9/91)	1608.3 (16/1/91)	2105.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	158.2	169.2	166.0	159.9	152.3	164.3	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2544.9	2536.7	2541.6	2537.1	2516.3	2081.6	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1168.41	1171.15	1164.75	1174.57	1149.84	-	1193.60 (3/9/91)	938.62 (16/1/91)	1193.60 (3/9/91)	938.62 (16/1/91)
● Ord. Div. Yield	4.88	4.87	4.87	4.88	4.72	5.88				
● Earning Yld % (full)	6.99	7.01	7.00	7.01	7.08	12.24				
● P/E Ratio (net)	17.96	17.84	17.85	17.92	17.74	9.88				
SEAQ Bargains 4.45pm	30,102	32,067	31,789	32,078	27,193	22,881				
Equity Turnover (£m)†	-	1351.8	1353.4	1207.5	1008.6	571.08				
Equity Bargains†	-	35,344	31,891	32,605	28,003	22,476				
Shares Traded (ml)†	-	554.8	583.5	548.2	425.6	286.1				

Ordinary Share Index, Hourly changes — Day's High 1974.1 — Day's Low 1952.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1962.4	1958.7	1954.8	1961.0	1961.0	1956.0	1960.3	1957.3	1967.4

FT-SE 100, Hourly changes — Day's High 2544.9 — Day's Low 2520.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2528.8	2526.2	2524.8	2530.9	2530.8	2529.0	2530.2	2527.3	2537.9

FT-SE Eurotrack 200, Hourly changes — Day's High 1171.13 — Day's Low 1163.53

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1163.53	1164.55	1167.86	1168.03	1168.86	1168.60	1169.35

GILT EDGED ACTIVITY		
Indices*	Jan 17	Jan 16
Gilt Edged Bargains	99.4	80.4
5-Day average	85.4	83.3

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
British Telecom	2,200	318	-2	Inchcape	643	426	+7	Ryl Bk Scotland	1,100	171	-1	Vodafone	12,800	363	-8
Br. Telecom New	2,800	112	-2	Kingfisher	2,000	494	-8	Royal Insurance	1,100	307	+7	Warburg (SG)	[illegible]	[illegible]	
Burmah Castrol	746	614	-6	Land Securities	[illegible]	474	+1	Sainsbury	1,000	[illegible]	-1	Welsh Water	131	[illegible]	-4
Cadbury Schweppes	874	441	+2	Lloyds Abbey	1,500	377	+5	Scottish Power	2,400	[illegible]		Williams Hldgs.	712	[illegible]	-2
Calor Group	146	219	+1	Lloyds Bank	1,020	404	+1	Sears	2,420	[illegible]	+1	Willis Corroon	1,500	294	
Comm. Union	687	476	+7	Lonrho	7,600	164	+14	Severn Trent Water	215	317	-4	Yorkshire Water	194	[illegible]	+1

Other rows: [illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A LATE burst of activity in the stock index futures market enlivened what had otherwise been reported to be a dull session, writes Joel Kibazo.

March opened at a premium of 33 and buyers were seen. The upward direction of the contract did not last and there was a wave of mid-morning selling, further encouraged by the release of disappointing retail sales figures for the Christmas period.

A poor opening on Wall Street reinforced the dull market mood and a weak finish was expected. However, minutes before the close, the recovery of Wall Street and an order for 50 contracts triggered heavy buying. That order was followed by another large buying order. Independent traders were left short, generating a large squeeze in the last half hour of trading and pulling the underlying cash market higher. March closed at 2,593 at a premium of 49 to the underlying cash market and around 27 points above its estimated fair value premium to cash of 23. Turnover was a meagre 4,432.

In traded options, turnover reached 28,348. The FTSE Index traded 4,285 contracts. Storehouse was the busiest stock option. It traded 2,305 lots. Asda was the second busiest option at 2,185 contracts.

LONDON SHARE SERVICE

BRITISH FUNDS — "Shorts" (Lives up to Five Years); Five to Fifteen Years

BRITISH FUNDS - Cont. (Index-Linked)

OTHER FIXED INTEREST

[illegible]

APPOINTMENTS

Commercial Union takes on optimist and critic

COMMERCIAL UNION is expected to confirm this week the appointment of Chris Pountain, Morgan Stanley's widely respected insurance analyst. Pountain, 38, who will take over the deputy group planning and corporate finance position, has a reputation for being very bearish about the prospects of the UK composite insurers. CU, arguably the most successful of the UK composites, is setting something of a trend with the appointment of another outsider to a key management post.

Late last year Cees Schrauwers rejoined CU after a spell at Coopers and Lybrand Deloitte, to take over as general manager for the company's non-life business. Like Pountain, Schrauwers has been a critic of the UK insurance industry's sluggishness. CU has also appointed other insurance analysts: Peter Rice and Alan Clifton having joined the company from County NatWest and KitKat and Aitken respectively. Pountain, who joined Morgan Stanley from County NatWest in 1989, started his career at Scottish Widows.

Fraser leaves Whitbread for Shepherd Neame

Angus Fraser, recently chairman of Whitbread's Thresher off-licence chain and the group's hotels, is to join Shepherd Neame, the independent Kent brewer, as a non-executive director and board consultant.

He will advise the company, which has been expanding rapidly and now has 315 pubs in the south-east, on the development of its retail activities and staff training.

Fraser, 52, a former chairman of the Brewers' Society retail committee, is leaving Whitbread in March after eight years with the brewing and retailing group. He said yesterday that he would be pursuing a range of other activities.

He joined Whitbread in 1984 as managing director of Whitbread Inns after 15 years with Watneys where he became deputy managing director of the Chef & Brewer.

Before entering brewing, Fraser was in the Queen's Royal Irish Hussars for nine years; he is on the board of the Bedfordshire Tec.

Departures

■ Sir Douglas Morpeth has retired from ALLIED IRISH BANK.

■ Jan Valkenburg has retired from MARLING INDUSTRIES.

■ Ernest Cummins has retired from ROBERT H LOWE.

■ Alfred Minter has resigned from IWP INTERNATIONAL.

■ Brian Lowery has resigned from HADLEIGH INDUSTRIES.

■ Jack Grant has retired from STIRLING GROUP.

■ Rob Hassell, md of the engineered products division of HENRY BARRETT Group has resigned following the sale of the principal companies of the division, apart from Lindapter. David Thompson becomes md of Lindapter.

■ Paul Thompson has resigned from SUTCLIFFE SPEAKMAN.

■ Peter Hearn and Gary Laurence have resigned from ACSIS following the sale of its recruitment division.

■ Brian Bell has resigned from STEEL BURRILL JONES.

■ Alan McLintock has retired from GOVETT Atlantic Investment Trust.

■ Peter Whittington has resigned from MERRYDOWN.

Lease-back

One might have thought that the former staff of British & Commonwealth Merchant Bank, which was dragged down by problems at Atlantic Computers, the computer-leasing operation that also belonged to the B & C group, would wish to have nothing further to do with the subject of leasing.

However, David Milne, who was director of capital markets at the merchant bank until its demise last August, has moved to Baltic, the Mayfair-based leasing and finance house. Milne, who is 39, says Baltic is a "conservatively-run leasing company that is at the same time very entrepreneurial".

Sounding predictably jaundiced about the Square Mile – "a very inward-looking place these days" – he says he has been hired by Baltic to build up its structured finance side. He had been with B & C MB from its inception, "a great opportunity that foundered due to a sick parent". Not afflicted with false modesty, he adds: "The fact that 80 per cent of the former employees of [B&C merchant bank] have now got good jobs is a reflection of the calibre of those people."

■ Hugh Dumas and Chris Mason are directors of CREDIT LYONNAIS ROUSE.

■ David Brennan, Richard Chenevix-Trench and Kevin Lee are directors of BARING ASSET MANAGEMENT. John Bolsover, chief executive officer and chief investment officer of Baring Asset Management, has become chairman of BARING FUND MANAGERS and Kate Woollett md.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		34 7/8 xd	-11/16	38 5/8	20 7/8	14,831	1.5
Allegheny & W		265p	+4	385p	218p	137.7	6.0
Alcatel		1010p xd	+4	1018p	667p	1,121	0.5
Amer Cyanamid		35 1/8	-1 1/8	42 1/8	25 3/8	3,275	2.3
Amer Express		12 7/16 xd	[illegible]	17 7/8	9 11/16	6,658	4.3
Amer T & T		22 5/8 xd	[illegible]	24 1/2	15 1/4	29,552	3.1
Ameritech		35 5/8	[illegible]	38 7/8	32 1/2	16,597	5.1
BankAmerica		22 13/16 xd	[illegible]	26 [illegible]	12 [illegible]	4,959	2.8
Bankers NY		36 1/4 xd	-1	38 [illegible]	20 [illegible]	2,979	7.2
Bell Atlantic		25 1/2 xd	-3/8	30 1/2	24 1/4	18,828	5.3
BellSouth		27 7/8	-1/8	31 1/4	25	13,528	5.3
Bethlehem Steel		9 1/4 xd	-3/8	11 1/4	6 [illegible]	765.0	2.3
Bowater		1331p	-122	1838p	1042p	478.1	4.8
CPC		46 1/8 xd	-1/4	54 [illegible]	37 [illegible]	3,837	2.4
California Engy		758p	+12	938p	420p	138.8	—
Campbell Soup	h	21 5/8	-1/4	25	14 1/8	5,436	1.7
[illegible]		12 [illegible]	[illegible]	12 3/4	5 [illegible]	1,674	5.3
Chrysler		7 7/8 xd	[illegible]	9 [illegible]	5 [illegible]	2,257	4.1
Citicorp		8 1/8 xd	-3/8	10 [illegible]	4 5/8	2,791	—
Colgate-Palm		29 [illegible] xd	-1 [illegible]	27 5/8	21 [illegible]	3,772	2.2
Cont'l Bank		725p	+9	828p	436p	732.6	5.9
Dana		18 5/8 xd	-1	21 5/8	13 5/8	765.6	4.6
Data General		998p	[illegible]	[illegible]	203p	274.8	—
Dial		25 13/16 xd	[illegible]	25 [illegible]	12 7/8	1,024	2.9
Dun & Brad		30 1/4	[illegible]	31 5/8	20 3/4	5,407	3.7
Eaton		38 1/8	-1 [illegible]	40	34 1/4	1,288	3.1
Echlin		8 3/8 xd	-1/8	8 3/4	5 1/2	401.7	4.3
FPL		19 [illegible] xd	[illegible]	20 1/8	14 [illegible]	3,281	6.7
Fluor		25 5/8 xd	-3/8	30 [illegible]	17 [illegible]	2,155	0.8
Ford Motor		18 3/8 xd	[illegible]	23 1/4	13	8,698	2.9
Gen Elect		44 1/4 xd	-1/8	46 [illegible]	28 [illegible]	39,349	2.5
[illegible]		451p	—	566p	270p	—	4.2
Gillette		27 [illegible] xd	-1/2	45 3/4	20 7/8	6,628	1.2
Hasbro		23 1/4	—	24	794p	1,333	0.5
Honeywell		39 1/2 xd	-5/8	40 1/4	21 3/4	2,794	2.2
Houston Inds		28 1/8	-3/8	24 [illegible]	17 7/8	3,813	6.7
IBM		53 5/8 xd	-1/4	72 [illegible]	46	30,580	4.8
Ingersoll-Rand		32 [illegible] xd	-1/4	33 [illegible]	18 [illegible]	1,707	2.1

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING AEROSPACE

ENGINEERING GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+or -	1991/92 high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]								

MISCELLANEOUS - Cont.

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

OIL & GAS - Cont.

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

PACKAGING, PAPER & PRINTING - Cont.

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

STORES - Cont.

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

MINES - Cont.

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
[illegible]							

MEDIA

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

MERCHANT BANKS

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

METALS & METAL FORMING

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

MISCELLANEOUS

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

MOTORS

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

OIL & GAS

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

OTHER FINANCIAL

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

OTHER INDUSTRIAL MATERIALS

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

PACKAGING, PAPER & PRINTING

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

PROPERTY

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

STORES

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

TELEPHONE NETWORKS

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

TEXTILES

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

TRANSPORT

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

WATER

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

SOUTH AFRICANS

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

PLANTATIONS

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
[illegible]							

MINES

	Notes	Price	+or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
[illegible]							

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International

● "Tap Stock"

• Highs and lows marked thus have been adjusted to allow for rights issues for cash

† Interim since increased or resumed

‡ Interim since reduced, passed or deferred

‡‡ Tax-free to non-residents on application

♦ Figures or report awaited

♥ Not officially UK listed; dealings permitted under rule 535(4)(a)

✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.

‡‡ Not officially UK listed; dealings permitted under Rule 535(2)

Price at time of suspension

¶ Indicated dividend yield after pending scrip and/or rights issue.

♦ Merger bid or reorganisation in progress

♦ Forecast dividend yield, p/e based on earnings updated by latest interim statement.

♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
i Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
dc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128

AUTHORISED UNIT TRUSTS

MGM Unit Managers Ltd (1000)F
MGM House, River Rd, Worthing
Dealing 0277 261010

NW Investment Managers Ltd (0459)F
4b Court St, Haddington, E. Lothian

Malden Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time at the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.29	50.29xd	50.79	+0.02	10.6
Capital Priorities	5¼	49.28	49.57	52.87	+0.18	9.50
Ethical	5¼	47.34	48.35	51.44	-0.21	4.94
European Growth	5¼	47.94	48.17	51.30	+0.56	3.1
Income	5¼	45.48	46.06	49.13	-0.45	8.08
Intl Growth	5½	65.75	65.83	70.22	-0.35	3.17
Managed	5¼	58.20	58.58	62.49	-0.41	4.48
UK Growth	5¼	49.48	50.35	53.71	-0.46	5.43
Standard Chartered Equitor (1200)F						
40 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	194.3	196.6xd	204.7	-1.8	3.07
Do Income	3	181.8	183.9xd	193.9	-1.7	3.07
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	35.93	35.93	38.18	-0.1	2.47
UK Equity Gth Acc	5¼	48.71	49.63	52.74	+0.1	2.17
UK Eq High Inc Inc	5¼	29.00	29.72	31.58	+0.3	6.64
UK Eq High Inc Acc	5¼	32.61	33.42	35.51	+0.4	6.64
UK Equity Gen Acc	5¼	45.07	46.62	49.54		3.44
UK Equity Gen Inc	5¼	35.09	36.48	38.77		3.44
UK Larger Cos Acc F	7¼	302.6	305.8	331.8	+1.6	4.75
UK Larger Cos Inc F	7¼	242.9	246.2	267.2	+1.3	4.75
[illegible]		28.18	28.25	29.88	+0.1	7.63
[illegible]	7¼	212.5	216.5	235.0	-3.1	2.08
[illegible]		36.84	37.04	39.36	-0.5	0.59
Far East Acc F	5¼	39.26	40.26	42.78	-0.7	–
European Acc	5¼	34.62	36.37	38.65	-0.2	1.59
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	305.1	305.1	326.2	-4.8	0.71
(Accum Units) ♥	5	359.1	359.1	383.9	-5.7	0.71
British	5	794.0	807.0	853.8	-4.5	4.08
(Accum Units)	5	1304.5	1325.9	1402.8	-9.0	4.08
European	5	329.1	329.1	349.6	+1.8	1.46
(Accum Units)	5	350.2	350.2	372.3	+2.0	1.46
Japan	5	107.6	107.6	114.3	-0.5	–
(Accum Units)	5	108.5	108.5	115.4	-0.5	–
Next Pacific	5	178.5	178.5	190.4	-3.3	1.81
(Accum Units)	5	183.3	183.3	195.5	-3.4	1.81

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London WC1R 4UJ 071-430 2348				
Life Managed Fd	109.5	115.3	-	-
Pension Managed Fd	108.4	114.2	-	-
Life Deposit Fd	112.0	117.9	-	-
Pension Deposit Fd	119.3	125.6	-	-

For National Fin see Target Life

	Bid Price	Offer Price	+ or -	Yield Gross
National Mutual Life				
The Priory, Priory Pk Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	170.3	179.3	-	-
UK Equity	178.3	187.7	-	-
Overseas Equity	137.6	144.9	-	-
Fixed Interest	159.0	167.4	-	-
Property	127.3	134.1	-	-
Index Linked	153.3	161.4		-
Deposit	166.5	175.3		-
With Profits Ubl.	136.2	143.5	-	-

	Bid Price	Offer Price	+ or -	Yield Gross
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	356.2	375.0	-2.4	-
UK Equity	445.0	468.5	-3.6	-
Overseas Eq.	344.9	363.1	-0.7	-
Americas	301.7	317.6	-0.1	-
Far East	348.3	366.7	-2.9	-
Property	194.6	204.9		-
Fixed Int.	277.7	292.4	-0.9	-
Indexed Gilt	163.4	172.1		-
Deposit	190.3	200.4	+0.1	-
With Profit	106.7	112.3	+0.1	-
Pension Fund (Accum Units)				
Managed	515.0	542.2	-3.9	-
UK Equity	601.4	633.1	-4.7	-
Overseas Eq.	583.3	614.0	-5.2	-
Americas	393.9	414.7	-8.4	-
Far East	579.5	610.0	-3.1	-
Property	249.4	262.6		-
Fixed Int.	348.5	366.9	-0.3	-
Indexed Gilt	178.0	187.4		-
Deposit	270.3	284.6	+0.2	-
NPI Pensions Management Ltd				
Managed Fund	1078.5	1097.8		-

Prices January 2 Next dealing February 3

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc.	218.8	230.9	-2.0	-
UK Fixed Int Acc.	197.2	208.1	+0.3	-
Intl Equities Acc.	177.4	187.2	-2.0	-
UK Managed Acc.	172.7	182.1	-1.6	-
Property Acc	225.6	238.0		-
Money Acc.	135.1	142.6		-
Special Market Acc	153.5	162.0	-3.1	-
Japan Equity Acc.	92.1	97.2	-0.2	-
North American Acc.	110.7	116.8	-3.1	-
Pacific Acc.	93.6	98.8	-1.2	-
Technology Acc.	143.8	151.7	+1.7	-
Nat Resources Acc.	57.6	60.8	-1.6	-
European Acc.	101.6	107.2	-0.7	-
Residential Prop Acc.	85.0	89.7		-
Swiss Equities Acc	33.8	35.7	-0.1	-
Hong Kong Acc	72.1	76.1	-0.5	-
UK High Inc Eq Acc.	70.4	74.3	-0.6	-
Int Fixed Interest Acc.	62.0	65.5	-0.2	-
Int Managed Acc.	57.5	60.6	-0.5	-
HIP Managed Acc.	117.6	124.0	-1.9	-
HIP Managed II Acc.	103.8	109.4	-1.5	-
HIP Managed III Acc.	111.9	118.0	-1.0	-
Total Investment Bond				
UK Equity Initial		148.1	-1.3	-
UK Fixed Int Initial		133.7	+0.1	-
Intl Equities Initial		119.4	-1.3	-
UK Managed Initial		117.1	-1.0	-
Property Initial		154.0	-0.1	-
Money Initial		92.1		-
Special Market Initial		118.7	-2.3	-
Japan Equity Initial		71.2	-0.1	-
North American Initial		85.6	-2.3	-
Pacific Initial		72.4	-0.8	-
Technology Initial		111.1	+1.3	-
Nat Resources Initial		44.5	-1.1	-
European Initial		90.7	-0.6	-
Residential Prop Init.		80.8		-
Swiss Equities Initial		32.2	-0.1	-
Hong Kong Initial		68.5	-0.6	-
UK High Inc Eq Init.		67.0	-0.4	-
Int Fixed Interest Init.		59.8	-0.2	-
Int Managed Init.		55.6	-0.4	-
HIP Managed Init.		113.8	-1.7	-
HIP Managed II Initial		101.8	-1.4	-
HIP Managed III Init.		110.9	-1.0	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Baring International Fd Mngrs (Ireland) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Australia	$16.75	17.59	+0.02	2.26
Japan Tech	$54.85	57.60	+1.20	0.00
Japan Fund	$23.75	24.94	+0.53	0.00
Japan New Gwth Fd	$18.09	19.00	+0.31	0.00
Malay Sing	$59.55	62.53	+1.26	0.00
NB-American	$24.90	26.15	−0.07	0.00
Octopus Fund	$23.95	25.15	+0.40	0.65
Pacific Fd	$63.59	66.77	+0.99	2.34
International Bond	$17.63	18.52	+0.11	7.10
Europa Fund	$13.88	14.58	+0.14	0.75
British Growth Fd	£8.87	8.92	+0.01	2.87
Trimar Warrant	$11.89	12.49	+0.17	0.00
Hong Kong	$35.33	38.10	+0.74	1.27
Mngd Portfolio (Stg)	£4.20	4.52	.....	0.00
Mngd Portfolio (Dlrs)	$10.95	11.55	+0.05	0.00
Currency Fd-Sterling	£19.05		.....	9.67
Currency Fd-US Dollar	$19.56		.....	4.71
Curr Fd-Deutschemark	DM42.33		+0.01	7.70
Curr Fd-Managed $	$46.17	48.47	+0.11	4.79

Federated International Funds Plc

Federated Short-term US Gov't Securities Fund

Institutional Svc Series*		$1.00		.....	3.80
Investment Series*		$1.00		.....	3.70

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas, IoM 0624 661551

TSB Trust Funds—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
UK Equity	5	142.18	142.18	153.32	+0.37	0.90
International Equity	5	119.63	119.63	127.56	−0.95	0.00
Far Eastern	5	90.76	90.76	97.04	−1.48	0.00
European	5	85.94	85.94	91.12	+0.72	0.00
Pan American	5	168.87	168.87	179.32	−4.94	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	98.03	98.03	101.31	−0.30	10.17
Monthly Share	3	97.57	97.57	100.81	−0.30	10.22

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cater Allen Investment Management (CI)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen holds gains against dollar

THE YEN remained strong against other currencies on the foreign exchange market yesterday but trading stayed cautious following intervention by the US Federal Reserve and Bank of Japan late on Friday in favour of the Japanese currency, *writes Simon London.*

While the scale of intervention on Friday was limited, with both central banks selling dollars against the yen, the effect was dramatic.

From a close in London at Y127.45, the dollar stood at Y124.45 by the end of trading in New York on Friday.

The move was interpreted by analysts as a clear sign that the US authorities do not want the dollar to appreciate from current levels. A stronger currency in general could stifle domestic economic recovery and inflate the already huge US trade deficit with Japan.

The yen gained further ground on the US currency in Tokyo trading as dealers digested the consequences of intervention. By the close in Tokyo the dollar stood at Y123.85.

Against the D-Mark the US currency was also weaker, closing at DM1.5863, from DM1.5920 in New York.

In European trading a cautious tone prevailed, with few dealers willing to take on new positions ahead of the weekend's G7 meeting of finance ministers and central bankers.

Against the D-Mark, the dollar rallied to DM1.5985 during the day but was unable to break through resistance at the DM1.60 level. The US unit ended at DM1.5970, from DM1.6070 in London on Friday. In New York the dollar slipped back to end at DM1.5905.

The yen maintained its position as finance ministers spoke out in favour of a strong Japanese currency. By the close in London the dollar stood at Y123.85, having traded in a tight Y123.35 to Y124.50 range through the day. In New York the US unit eased to Y123.25.

However, many analysts are still expecting the dollar to appreciate over the longer term, whatever the wishes of the US Administration.

For example, analysts at Barclays de Zoete Wedd suggest that the US currency could fall to around Y120 over the next few days but is set to appreciate to Y140 by the end of the year.

Within the European exchange rate mechanism, the D-Mark continued to soften. The peseta remained the strongest currency in the system and rose to Pta63.21 against the German unit during the afternoon, from Pta63.37 at the opening.

This lifted the floor for sterling, the weakest currency in the system, to around DM2.8540 from DM2.8475 at the end of last week. The UK currency responded by strengthening and remaining just above the floor, underlining that the sterling/D-Mark exchange rate is linked to expectations that central banks would intervene with some force if the lower limit was breached. The pound strengthened from DM2.8550, Friday's London close, to stand at DM2.86 by yesterday's finish.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 20	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.014	-3.46	6.07	99
Belgian Franc	42.4032	41.9521	-1.06	3.50	47
Dutch Guilder	2.31643	2.29983	-0.72	3.14	38
D-Mark	2.05586	2.04136	-0.71	3.13	39
Italian Lira	1538.24	1536.43	-0.12	[illegible]	[illegible]
Irish Punt	0.767417	0.766570	-0.11	2.51	6
Danish Krone	7.84195	7.89191	0.64	1.75	-34
French Franc	6.89509	6.95943	0.93	1.45	-57
Sterling	0.696904	0.713[illegible]	2.40	0.00	-67

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan 20	Close	Previous Close
£ Spot	1.7985-1.7995	1.7955-1.7965
1 month	[illegible]	0.93-0.97pm
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

CURRENCY MOVEMENTS

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 5¾-5½ per cent; three years 6-5⅞ per cent; four years 6½-6⅜ per cent; five years 6⅞-6⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

[illegible]

*Floating rate.

EXCHANGE CROSS RATES

Jan.20	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.791	2.860	221.5	9.753	2.533	3.223	2154.	2.059	58.80	1.074
$	0.558	1	1.597	123.7	5.446	1.414	1.800	1203	1.150	32.83	0.600
DM	0.350	0.626	1	77.45	3.410	0.886	1.127	753.1	0.720	20.56	0.376
YEN	4.515	8.085	12.91	1000.	44.03	11.44	14.55	9725	9.296	265.5	4.849
F Fr.	1.025	1.836	2.932	227.1	10.	2.597	3.305	2209	2.111	60.29	1.101
S Fr.	0.395	0.707	1.129	87.45	3.850	1	1.272	850.4	0.813	23.21	0.424
N Fl.	0.310	0.556	0.887	68.72	3.026	0.786	1	668.5	0.639	18.24	0.333
Lira	0.464	0.831	1.328	102.8	4.528	1.176	1.496	1000.	0.956	27.30	0.499
C$	0.486	0.870	1.389	107.6	4.737	1.230	1.565	1046	1	28.56	0.522
B Fr.	1.701	3.046	4.864	376.7	16.59	4.308	5.481	3663	3.502	100.	1.827
Ecu	0.931	1.668	2.663	206.2	9.081	2.358	3.001	2006	1.917	54.75	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Nat Westminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Beneficial Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates close level

UK money rates eased slightly in the face of a substantial liquidity shortage yesterday, *writes Simon London.*

The Bank of England forecast a shortage of £1.55bn in early morning, later revised up to £1.7bn. The main factor was maturing treasury bills and earlier assistance totalling £1.38bn.

However, following the volatility of short rates last week which saw overnight money trade as high as 30 per cent, market participants were keen to take assistance from the authorities.

In early assistance, the Bank of England injected a hefty £1.251bn. The main component was the purchase of £679m paper for resale to the market at 10$\frac{7}{16}$ per cent in equal instalments on February 5 and 6. The balance was mostly in the form of band 1 bank bills, purchased at 10⅜ per cent.

In late morning an additional £200m was injected, again through the purchase of short-dated band 1 bills at 10⅜ per cent. Afternoon assistance comprised the buying of £248m band 1 bills, with a late injection of £90m.

This was sufficient to drive short rates down to well below Friday's closing levels. Overnight unsecured funds traded down to 8 per cent in mid-afternoon, from 11-10⅞ per cent late on Friday. However, later in the day short rates firmed and finished at 10¾-½ per cent.

The March short sterling contract on the London International Financial Futures Exchange traded up to 89.77, from 89.70 on Friday. This implies base rates of 10.38 per cent by the spring from a current rate of 10.5 per cent.

In Frankfurt, call money continued to trade around 9.40/50 per cent, unchanged from the levels seen last week. Tax payments continued to drain funds from the market, but there is sufficient liquidity to keep rates comfortably below the Lombard rate.

The Bank of Japan injected more liquidity than expected yesterday, leading analysts to comment that the authorities were ensuring an ample supply of funds against the background of a weak stock market. The Nikkei stock market index fell 407.5 points to close at 20,913.8, the lowest level since October 1990.

In its regular operations, the Bank of Japan injected Y1,600bn funds, more than the forecast shortage of Y1,430bn. This ensured easier short money rates. Call money traded down to 5$\frac{9}{16}$ per cent, from 5⅝ per cent on Friday.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

11.00 a.m. Jan.20	3 months US dollars
bid 4⅛	offer 4¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

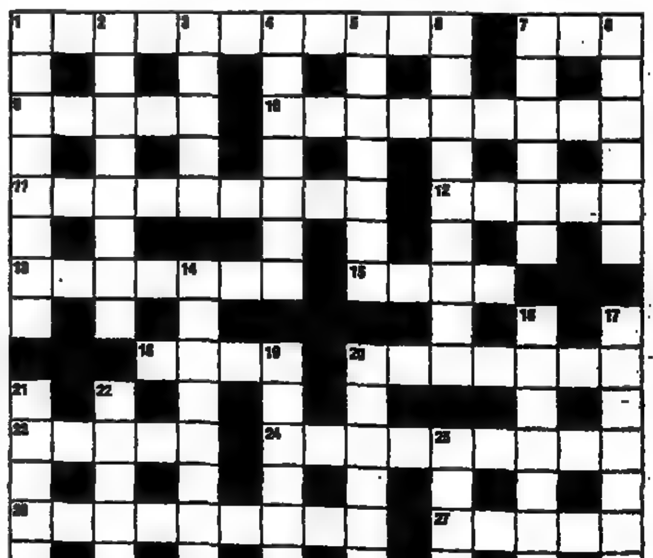
[illegible]

LEGAL NOTICE

[illegible]

CROSSWORD

No.7,752 Set by DANTE



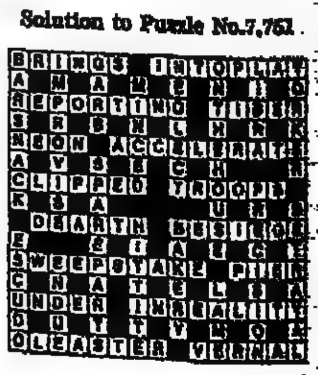
ACROSS

1 Pacific settlement (5,6)
7 A silent part of the forest (3)
9 State aid distributed by school centre (5)
10 She foretold misfortunes – like grit in car's parts (9)
11 Right place for gymnastic exercises (2,3,4)
12 Musical composition – there's no catch here! (5)
13 They fled from France – possibly Reims for example (7)
15 A superficially damaging impression (4)
18 We hear there's equal support (4)
20 Take commission away from the bank employee (7)
23 Stretch – of river? (5)
24 The means I contrived to control the sail (9)
26 Rude craft wrecked and broken (9)
27 Times called in bars (5)
28 Peg's style of shirt? (3)
29 They'll accommodate you if you put in estimates (5-6)

DOWN

1 A restrained person (8)
2 A fly-by-night turned up to revel in a scene of slaughter (8)
3 Fly to an away match (5)
4 Frauds seen in court or in the press (7)
5 Put on Medusa's form (7)
6 Desires to represent any singer (9)
7 Full of zeal for a new trend (6)
8 Do all this Scottish team get the red card? (6)
14 His Grace upset about West End building destroyed by fire (9)
16 Upset cover girl's creating difficult situations (8)
17 New pointers to finding items essential to one's diet (8)
19 Some err badly and show regret (7)
20 Ditch in damaged WWII fighter (7)
21 The benefit of arranging a trip out (6)
22 Is able to copy something out of the cookery book (6)
25 Start to fight (3-2)

Solution to Puzzle No.7,751



WORLD STOCK MARKETS

AUSTRIA

January 20	Sch	+ or −
Austrian Airlines	2,595	−50
Creditanstalt Pf	439	−4
EA General	3,170	−77
EVN	823	−3
Jungbunzlauer	10,000	−100
OeMV	1,017	−7
Perlmooser Zement	1,510	.....
Radex Heraklith	448	−5
Reininghaus Brau	1,570	−20
Steyr Daimler	247	−5
Veitscher Magnesit	296	−5
Verbund (Br) A	509	−1
Wienerberger	4,540	−30
Z-Landerbank	1,015	+5

BELGIUM/LUXEMBOURG

January 20	Frs.	+ or −
ACEC-Union Min	2,340	−15
AG Group	2,005	+10
Arbed	3,860	−75
BBL	3,220	+20
Bank Intl a Lux	11,850	+50
Banq Gen Lux Pts	11,800	.....
Barco	1,100	+4
Bekaert	10,800	+350
CBR Ciment	7,960	+50
Cobepa	4,850	.....
Cobepa AFV 1	4,815	+25
Cockerill Priv	171	−1
Colruyt	4,860	−35
Delhaize Frs Lion	4,620	−10
Electrabel	4,915	−15
Electrabel AFV	4,880	.....

FRANCE (continued)

January 20	Frs.	+ or −
Beghin-Say Cert Inv	470	+12
Bongrain	2,715	+5
Bouygues	542	−14
CGIP	1,087	−4
C M B Packaging	178.70	+1.70
Canal+	1,025	−12
Cap Gemini S	298.90	−0.90
Carrefour	2,300	−24
Casino	140	.....
Cetelem	719	−5
Chargeurs	1,015	−15
Club Mediterranee	473.70	−7.30
Cogifi	340.50	−0.50
Coparex	650	.....
C C F	175	−0.20
Cr Fonc France	990	−31
Cred Lyon (CI)	515	−10
Credit National	1,062	−17
Damart	2,670	+20
Docks de France	396	+2.20
Dollfus Mieg Cie	276	−9
EBF	740	−4
Eaux Cie Genl	2,097	−12
Ecco	377	−3.10
Elf-Aquitaine	368.50	+1
Elf-Aquitaine Certs	248	+2
Essilor Int	340	−5
Etex	1,650	−25
Eurafrance	1,472	+22
Eurocom	614	+4
Euro Disney	140.40	−6.20
Exor	1,320	.....
Finextel	119.10	.....
Fonc Lyonnaise	620	+26
From Cst Atw	2,598	−17
GTM-Entrepose	340.20	+2.20

INDICES

NEW YORK DOW JONES

	Jan 20	Jan 17	Jan 16	Jan 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3254.03	3264.98	3249.55	3256.50	3264.98 (17/1)	3172.41 (2/1)	3264.98 (17/1/92)	41.22 (2/7/32)
Home Bonds	99.49	99.61	99.37	99.41	99.61 (17/1)	98.96 (2/1)	99.61 (17/1/92)	54.99 (1/10/81)
Transport	1411.43	1421.90	1445.81	1431.45	1445.81 (16/1)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.26	211.82	211.94	214.07	225.59 (3/1)	211.82 (17/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3283.32 (3297.63) Low 3230.99 (3224.20)

STANDARD AND POOR'S

	Jan 20	Jan 17	Jan 16	Jan 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	416.36	418.86	418.21	420.77	420.77 (15/1)	414.34 (13/1)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	495.14	498.15	496.70	499.27	499.27 (15/1)	491.69 (13/1)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.29	34.68	34.89	35.14	35.14 (15/1)	34.03 (13/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	229.67	230.96	230.55	231.85	231.85 (15/1)	228.47 (13/1)	231.85 (15/1/92)	4.46 (28/4/42)
Amex Mkt. Value	415.33	415.32	413.77	414.30	415.33 (20/1)	398.51 (2/1)	415.33 (20/1/92)	29.31 (9/12/72)
NASDAQ Composite	619.38	626.85	627.34	630.82	630.82 (15/1)	586.45 (2/1)	630.82 (15/1/92)	54.87 (31/10/72)

	Jan 17	Jan 10	Jan 3	year ago (approx.)
Dow Industrial Div. Yield	2.83	2.89	2.90	3.90

	Jan 15	Jan 8	Dec 31	year ago (approx.)
S & P Industrial div. yield	2.52	2.54	2.55	3.31
S & P Ind. P/E ratio	25.76	25.51	25.35	15.92

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Glaxo	3,707,300	31½	+ ½
Cyprus Se	3,287,900	14¼	− 3⅜
Blockbuster	1,881,700	13¾	− ¼
Wax Elec	1,871,300	18⅛	− ¼

TRADING ACTIVITY

† Volume Millions	Jan 20	Jan 17	Jan 16
New York SE	180.870	284.560	330.891
Amex	17.343	25.870	25.531
NASDAQ	(u)	(u)	(u)

	Jan 20	Jan 17	Jan 16	Jan 15	1992 HIGH	1992 LOW
Weighted Price (30/6/66)	5102.64	5045.94	5022.96	4939.07	5102.64 (20/1)	4842.17 (4/1)
THAILAND Bangkok SET (30/4/75)	779.82	770.83	758.33	742.99	779.82 (20/1)	711.81 (3/1)
WORLD M.S. Capital Intl.(1/1/70) (§)	525.9*	521.9	521.5	522.4	542.1 (7/1)	528.1 (13/1)

** Saturday January 18: Taiwan Weighted Price: 4964.22; Korea Comp Ex. 621.21.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 20 January 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyo Ink	4.7m	819	−38	Nippon Steel	2.3m	391	−4
Suzuki Motor	2.6m	600	−15	Chiba Bank	2.1m	987	−65
77 Bank	2.4m	660	−10	Asahi Denka	2.1m	985	−14
Mitsubishi Heavy	2.4m	654	−9	Osaka Gas	1.8m	585	−7
Matsushita	2.3m	1,400	+30	Meiji Milk	1.8m	820	+6

4:00 pm prices January 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

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- I -

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- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge
71¼	68½	Xerox	3.00	4.3		121428	70½	69¾	69¾	-1
63	60½	Xerox4.125				5	62½	62½	62½	
25¾	24⅞	Xtra 1.94				[illegible]	25½	25½	25½	-⅛
31	28½	Xtra Corp	0.72	2.4	15	200	30¼	30½	30⅝	-⅛
27	25¾	Yankee Egy	1.60	6.2	13	49	25¾	25¾	25¾	+⅛
⅞	½	Zapata			87	821	u⅞	⅞	⅞	
8½	7¼	ZenithElec			2	470	8½	8	8½	
16⅞	16	Zenith Nat x	1.00	6.2	134	13	16¼	16⅛	16⅛	-⅛
6⅝	6	Zenix Inc x	0.84	13.2		121	6½	6⅜	6⅜	-⅛
12	11½	Zero Corp	0.40	3.4	15	886	11⅝	11⅝	11⅝	-⅛
[illegible]	25½	Zurn Ind	0.88	2.4	14	490	36¼	35⅞	36¼	-⅛
14⅛	13½	Zweig Fund x	1.16	8.4		210	13⅞	13⅝	13⅞	+⅛
11	10⅝	Zweig Totl x	0.96	8.9		846	10⅞	10¾	10⅞	

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices January 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4:00 pm prices January 20

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

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- U -

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- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		31	1649	30¼	29½	29¾	-½
Xoma Corp		12	2235	21	20½	21	+½
Yellow Fr	0.94	21	536	u30⅛	29⅝	29⅞	+¼
York Rsch		72	6382	u8¾	7¾	8¾	+1
ZionsUtah	1.44	9	3	u44¾	43½	44¾	+1¼

AMERICA

Equities ease in light trade after last week's gains

Wall Street

AFTER LAST week's strong gains, US stock markets were in subdued form yesterday, with share prices easing slightly across the board. Trading was relatively light because of the semi-official Martin Luther King Day holiday, which closed federal offices, banks and the bond markets, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 10.96 at 3,254.03. The more broadly based Standard & Poor's 500 receded 2.51 to 416.35, while the Nasdaq composite of over-the-counter stocks ran into heavy profit-taking and fell 7.47 to 619.38. New York SE turnover came to 182m shares, while declining issues outpaced advances by 937 to 742.

The market often opens lower on the first day after the monthly expiration of stock futures and options contracts. Last Friday the Dow had been boosted to a new high by trading linked to the expirations on derivative markets, and so some downward correction yesterday had been anticipated.

Moreover, in the absence of fresh economic and big corporate news, those investors not away for the one-day holiday chose to take it easy, only occasionally dipping into the market to take some profits earned during the recent sharp advance.

Among individual stocks, Upjohn fell $1¼ to $41½ amid a deepening row over alleged side effects of its best selling sleeping drug, Halcion. The company issued strong condemnations of researchers who claim to have found that Halcion causes serious psychiatric side effects among some users.

In the same sector, Pfizer rose initially on the news that researchers in Boston have reported on their preliminary human tests with an experimental drug for adult-onset diabetes, but eventually succumbed to market-wide selling and ended down $⅝ at $76¼. The drug is licensed to Pfizer and another company.

Other drug stocks, which were heavily sold last week on rotational trading by investors switching between sectors, were mixed. Merck eased $¼ to $153¾, Glaxo put on $⅜ to $31⅝ and Schering-Plough declined $⅝ to $60⅞.

UAL dropped $4 to $152 in the wake of last Friday's warning that it expected to report the largest three-month loss in its history for the fourth quarter.

Raytheon, which shot to fame during the Gulf war as the maker of the Patriot anti-missile weapon, weakened $1⅝ to $87¼ on reports that it has submitted a bid for General Dynamics' Cessna aircraft unit. Dynamics retreated $1¼ to $59⅞.

On the over-the-counter market, Landmark Graphics tumbled $4½ to $20¾ after reporting fiscal second-quarter income of 30 cents a share, up from a year earlier but still below market estimates.

Canada

TORONTO failed to establish a clear trend although trading was fairly heavy. The composite index eased 2.6 to close at 3,655.7, while rises narrowly outnumbered falls by 329 to 280 after a volume of 30.5m shares, down from Friday's 34.9m.

The gold group had the day's biggest gain among the sub-indices, a rise of 1.5 per cent, as American Barrick put on C$⅜ to C$33⅞.

Canadian Pacific Forest fell C$1¼ to C$26¼. The company said it will issue 8.5m common shares at C$26.50 a share. It currently has about 44m shares outstanding.

SOUTH AFRICA

JOHANNESBURG was mostly firmer in quiet trading. The all-gold index eased 14 to 1,311, amid mild profit-taking and on a stronger financial rand. Industrials closed at 4,530, up 18, and the overall index was unchanged at 3,701.

EUROPE

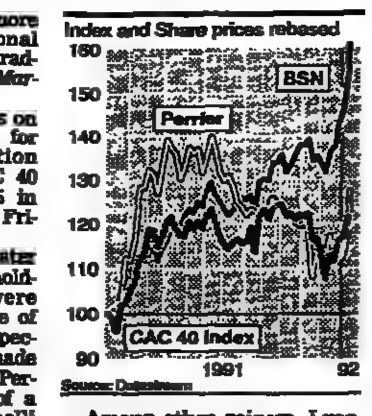
Paris feasts on food and drink as bidders emerge

DOMESTIC matters were more important than international influences in continental trading yesterday, *writes Our Markets Staff.*

PARIS continued to focus on the food industry where, for once, takeover speculation became reality. The CAC 40 index rose 5.90 to 1,865.85 in turnover of FFr2.2bn after Friday's FFr2.9bn.

Shares in the mineral water company Perrier and the holding company Exor were suspended at Friday's close of FFr1,396 and FFr1,320 respectively as Nestlé and Suez made a FFr1,475-per-share bid for Perrier, fanning speculation of a counterbid from the Agnelli family and its allies. News that Nestlé and Suez had taken legal action to review the recent sale of Perrier's treasury stock to the Agnelli camp indicated that the shares would remain suspended for quite a while.

Meanwhile, BSN jumped FFr14 to FFr1,154 with a heavy 312,600 shares traded on continued rumours that the Agnellis would make a bid for the food giant.



Source: Datastream

Among other gainers, Lyonnaise-Dumez added FFr16 or 3.5 per cent to FFr474 with 147,782 shares traded as the market acknowledged that it had misread last week's results. Paribas, which fell 7.3 per cent on Friday on news of big provisions for Maxwell loans, recouped FFr14 or 4.2 per cent to FFr344 with 84,550 shares traded.

One of the day's prominent losers was Euro Disney which fell FFr6.20 or 4 per cent to FFr140.40 with 402,300 shares traded after several UK newspapers said that the shares were overvalued.

FT-SE Eurotrack 100 - Jan 20							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1129.17	1130.04	1132.37	1132.32	1133.12	1135.05	1136.03	1135.81
Day's High 1137.19				Day's Low 1128.61			
Jan 17	Jan 16	Jan 15	Jan 14	Jan 13			
1135.24	1131.02	1140.62	1112.87	1106.02			

[illegible]

MADRID continued to descend, the general index closing 1.28 lower at 252.64. Fecsa rose Pta2 to Pta704 after a placing of 3.055m shares, about 1¼ per cent of the equity in the electrical utility. Schroder Securities took the block out of Spain and placed it with institutions in London at a price of Pta718 a share against Friday's Pta702.

Mr Miguel Olabarri of Schroder said the placing represented about four weeks' volume in Fecsa, and that the premium was partly due to the availability of stock, Fecsa's above-average cash generation in a highly leveraged sector and its dividend prospects between now and 1994.

MILAN eased as operators took the view that the recent rally had been overdone. The Comit index fell 1.86 to 546.25. Problems with the screen-based trading system restricted volume to around L100bn from Friday's L140bn.

One of the day's big losers was Sip which fell L38 or 2.5 per cent to L1,458 in heavy trading of 2.1m shares. Analysts said that they had expected profit-taking to emerge after the stock reached L1,500 last week. Furthermore, the industry reform approved by parliament, also last week, is expected to take the edge off Sip's performance.

Talk of a large buy order in Generali out of London lifted the share off the day's low of L30,200 to an official close of L30,460, up L95 from Friday. The stock then hit L30,600 on the kerb.

Among industrials, Pirelli fell L58 or 4.5 per cent to L1,222 ahead of an extraordinary meeting later in the day to approve the tyre and cable's group L526bn capital increase.

FRANKFURT had a late rise on a fall in west German wholesale prices of 0.7 per cent in December from November, renewing hopes of an interest rate cut later this year. The DAX index rose 6.18 to 1,677.17, after a 1.58 fall to 677.06 in the FAZ at midsession.

Volume fell from DM8.2bn to DM6.2bn. Siemens and Deutsche Bank led the intraday rally, rising DM4.50 to DM656.10 and DM6.50 to DM704.70 respectively. Siemens gained on news of large telecommunications orders from Syria, Iran and Kuwait.

AMSTERDAM was depressed by the weaker dollar but most stocks recovered from their day's lows on foreign buying interest. The CBS Tendency Index closed 0.7 lower at 119.8.

The truck manufacturer DAF gained 50 cents or 2.1 per cent to Fl 24.40 on hopes of a recovery in UK truck sales later this year.

BRUSSELS saw preferred shares in the chemical group Gechem jump BFr35 or 10.3 per cent to BFr375 in speculative trading as 88,000 shares changed hands. The Bel-20 index closed up 5.31 at 1,161.81 in turnover of BFr751m.

STOCKHOLM put banks up 3.2 per cent and the forestry sector by 1.4 per cent as the Affärsvärlden General index closed 7.0, or 0.7 per cent higher at 989.3.

SE-Banken rose SKr2 to SKr50. Dealers said that banks had simply been laggards, but that forestry stocks reflected speculation that pulp and paper prices are on the way up.

ISTANBUL fell 3.7 per cent after the unveiling of a government economic plan on Saturday that dealers said was in line with expectations but would take time to implement. The 75-share index fell 183.14 to 4,817.02.

ASIA PACIFIC

Nikkei closes below 21,000 on investment trust selling

Tokyo

SHARE prices plunged on selling by investment trusts and financial institutions, and the Nikkei average closed below 21,000 for the first time since October 1990, *writes Emiko Terazono in Tokyo.*

The Nikkei finished 407.55 down at 20,913.82 as arbitrage-related trading and selling by investment trusts continued to dampen sentiment. The index hit a high of 21,381.00, but later fell to the day's low of 20,684.74 in the afternoon.

Volume eased to 220m shares from Friday's 240m. Declines overwhelmed advances by 853 to 128, with 142 issues unchanged. An estimated 263 stocks dropped to their lowest levels since the beginning of last year. The Topix index of all first section issues lost 25.35 to 1,574.91, although in London the ISE/Nikkei 50 index ended just 0.48 off at 1,205.50.

In spite of foreign buying, many market participants fear that the index could fall below 20,000. Mr Brian Tobin at S.G. Warburg commented: "There is evidence of further selling by domestic investors."

However, some said the market was oversold. "The difference between the levels of the 200-day moving average and the daily index movements are overstretched," said Mr Chris Newton at James Capel. However, he added that a recovery depended on participation by domestic institutions.

Fund managers at domestic life insurers said they were ready to buy shares once the Nikkei dropped below 20,000. Arbitrageurs, on the other hand, were seen stepping up selling as the gap between futures prices and the cash market narrowed.

Nippon Telegraph and Telephone fell Y3,000 to a record low of Y698,000. Leading high-technology shares were also weak, with Mitsubishi Electric down Y4 to Y558 and Toshiba losing Y12 to Y624.

Akai Electric dropped Y45 to Y660 on reports that the company had projected a 70 per cent fall in profits for the current year to November.

Banks were seen actively cross-trading to realise profits ahead of the March book closing. Shares in regional banks were actively traded, with Chiba Bank down Y63 to Y987.

Some automobile makers were higher on hopes that the US Big Three auto companies' plans to increase production in the first quarter would alleviate the pressure from the US on Japanese car makers. Toyota Motor advanced Y20 to Y1,420 and Honda Motor gained Y10 to Y1,430.

In Osaka, the OSE average weakened 506.74 to 22,373.10, its lowest level since January 1988, on small-lot selling and margin liquidations. A total of 109.4m shares changed hands.

Roundup

TOKYO'S SLIDE took some Pacific Rim markets off their day's highs yesterday.

HONG KONG achieved its fifth consecutive record peak on growing optimism about the improvement in Sino-US trade relations. The Hang Seng index climbed 55.58 to 4,510.47 as turnover swelled to HK$2.44bn from HK$2.30bn, its largest daily volume in two months.

SEOUL was boosted by signs that the labour dispute at Hyundai Motor was being resolved. Hyundai Motor ended at Won26,400, up Won800. The composite index added 12.66 at 638.87 in turnover of Won397.7bn, after Won272bn on Saturday.

SINGAPORE lost ground on profit-taking. The Straits Times Industrial index finished 7.12 off at 1,525.39 and turnover dipped to S$177.3m from S$315.3m.

Parkway Holdings, a property company with hospital interests, closed 8 cents lower at S$1.57, after touching S$1.52, in the day's most active volume of 5.1m shares on rumours connecting it with a court action in the US.

KUALA LUMPUR's composite index ended 2.56 up at 572.28 on last-minute buying of Telekom, which put on 20 cents to M$10.30 on 612,000 shares traded. Gaming issues fell further on reports of changes to the gaming tax. Resorts World shed 35 cents to M$9.85 and Genting 30 cents to M$11.70.

AUSTRALIA was pulled back by the Tokyo weakness. The All Ordinaries index was finally 5.9 down at 1,667.6 after rising 9.7 initially. Turnover dipped to A$163m (A$241m).

Speculation that Mr Kerry Packer was about to spin off his local magazine interests or that the government might sell more shares in Commonwealth Bank of Australia kept investors on the sidelines.

Pacific Dunlop receded 11 cents to A$5.38 on rumours of more profits downgradings.

NEW ZEALAND was quiet due to the bank holiday in Wellington. The NZSE-40 index relinquished 9.90 to 1,495.03 in turnover of NZ$13.9m, well down from Friday's NZ$23.8m.

Telecom weakened 7 cents to NZ$2.38 on volume of 2.1m shares, depressed by profits downgradings and expectations of a second issue of shares this year.

TAIWAN rebounded from a fall on Saturday on expectations of a cut in domestic oil prices. The weighted index rallied 138.42 or 2.8 per cent to 5,102.64, after the loss of 81.72 on Saturday. Volume grew to T$53.86bn from T$30.76bn.

BANGKOK saw turnover rise above Bt10bn for the second day in the stock market's 16-year history. The SET index ended 8.99 ahead at 779.52 on a turnover of Bt10.14bn.

MANILA's composite index eased 0.30 to 1,303.00 in turnover of 140m pesos, after 172m.

KARACHI fell again, the KSE 100 index losing 48 to 1,587 for a two-day drop of 5 per cent, on unrest in southern Pakistan, including demonstrations and bomb blasts, following the arrest of a secessionist politician last Saturday.

Savage contrast between US and Japan

MARKETS IN PERSPECTIVE	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	+2.02	+5.00	-2.41	+6.28	+4.15	-1.10
Belgium	+3.65	+6.69	+15.23	+4.61	+3.55	-1.69
Denmark	+0.66	+5.12	+19.39	+4.04	+4.24	-1.03
Finland	+9.18	+24.39	+13.14	+18.80	+16.92	+11.01
France	+1.43	+11.79	+20.46	+5.17	+4.79	-0.50
Germany	+4.26	+8.34	+13.34	+6.32	+5.71	+0.37
Ireland	+5.29	+10.24	+27.41	+7.98	+8.13	+2.67
Italy	+3.72	+13.66	+7.37	+9.53	+9.41	+3.87
Netherlands	+3.85	+7.82	+23.07	+5.71	+5.09	-0.22
Norway	+10.65	+17.79	+8.86	+13.80	+13.67	+7.92
Spain	+0.45	+9.14	+14.24	+3.60	+3.80	-1.44
Sweden	+3.35	+14.74	+17.26	+7.56	+7.69	+2.25
Switzerland	+1.41	+9.87	+25.10	+5.33	+5.69	+0.32
UK	+2.73	+7.75	+20.62	+2.21	+2.21	-2.96
EUROPE	+2.78	+8.04	+18.47	+4.35	+4.16	-1.10
Australia	+0.09	+5.44	+35.69	+0.93	+3.77	-1.47
Hong Kong	+2.91	+7.89	+47.56	+4.06	+9.84	+4.29
Japan	-3.53	-2.51	-6.50	-6.92	-5.08	-6.74
Malaysia	+2.77	+6.66	+9.57	+2.45	+8.50	+3.02
New Zealand	-0.50	+4.56	+22.88	-0.54	+4.73	-0.56
Singapore	+3.79	+8.64	+32.08	+4.08	+7.55	+2.13
Canada	+2.73	+6.89	+11.02	+3.91	+9.81	+4.27
USA	+0.76	+8.33	+28.75	+0.52	+8.09	+0.52
Mexico	+2.54	+18.13	+191.54	+9.08	+14.05	+8.29
South Africa	+1.47	+8.65	+43.26	+7.80	+10.05	+4.71
WORLD INDEX	+0.05	+5.12	+14.45	-0.58	+2.66	-3.53

† Based on January 17th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

By William Cochrane

There was a savage contrast last week between the US and Japan.

Having consolidated its Christmas and new year gains, the Dow showed new strength last week with three all-time highs in five days. US shares are not popular with many analysts, who think they are priced on a corporate earnings recovery which will not materialise to the extent that will be needed in 1992.

Tokyo, for which there is analytical support, saw the Nikkei average at its lowest since October 1990. It was the main reason why the World index, in spite of strength in Europe, shows a rise of only 0.1 per cent in local currency terms.

James Capel said in a recent global seminar that Japan will enjoy a sharp consumer-led recovery starting in the second quarter of this year. Nomura followed with a recommendation of the market last Friday. However, Tokyo cannot seem to escape from a combination of technical weakness and political scandal. Last week, a senior politician was arrested for alleged bribe taking.

The encouraging aspect of this situation is the way that neighbouring equity markets have mostly refused to reflect Tokyo's depression, with Hong Kong, in particular, scoring a succession of record highs.

The best European performances came from Finland and Norway, which seem to have decided that there is life after the slow death of 1991.

Finland has now accumulated a sizeable recovery since its Hex index low of December 23, but Kleinwort Benson's Scandinavian team, which has recommended Helsinki as a long-term buy, noted recently that the market has three weak years to improve upon.

Norway, emotionally flattened by the collapse of its banking sector, has recovered mostly on North Sea oil price prospects. In a report just out, Goldman Sachs says the Norwegian economy is close to bottoming out, and will benefit from an international recovery led by the US. It adds that cyclical stocks will benefit from the global upturn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 20 1992								FRIDAY JANUARY 17 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	150.02	+0.9	124.18	117.25	124.56	132.68	-0.4	4.17	148.63	124.04	116.74	124.18	133.28	160.31	112.74	116.70
Austria (20)	167.29	+1.6	138.48	130.76	138.90	138.79	-0.5	2.08	164.69	137.44	132.66	137.59	139.45	222.37	153.85	163.26
Belgium (47)	141.27	-0.5	116.94	110.41	117.29	114.44	-1.7	5.18	141.92	118.44	114.33	118.57	116.37	151.20	118.04	131.70
Canada (115)	142.09	+0.0	117.62	111.06	117.96	118.37	-0.2	3.11	142.12	118.60	114.49	118.73	118.60	144.28	125.48	127.70
Denmark (37)	265.63	+0.5	219.89	207.62	220.56	223.18	-0.1	1.60	264.40	220.66	213.02	220.90	223.32	273.94	217.74	238.95
Finland (15)	88.08	+1.7	72.91	68.84	73.13	80.01	-0.5	3.05	86.61	72.28	69.78	72.36	80.44	125.15	73.32	85.36
France (109)	150.60	+0.7	124.63	117.66	125.10	128.80	+0.1	3.44	149.69	124.92	120.59	125.05	128.62	152.33	119.11	133.04
Germany (65)	118.00	+0.2	97.66	92.25	97.97	97.97	-0.4	2.35	117.76	98.28	94.88	98.38	98.38	125.35	94.15	110.57
Hong Kong (55)	185.96	+1.1	153.96	145.37	154.42	185.30	+1.1	4.02	183.93	153.50	148.18	153.67	183.32	185.96	119.62	123.59
Ireland (16)	171.94	-0.2	142.33	134.39	142.76	146.25	-0.6	3.45	172.23	143.78	138.80	143.94	145.11	182.45	132.88	142.74
Italy (77)	78.64	+0.4	65.10	61.46	65.29	70.64	-0.3	3.29	78.31	65.36	63.09	65.43	70.82	89.23	64.76	77.16
Japan (474)	125.82	+1.5	104.15	98.34	104.46	98.34	-1.5	0.86	123.85	103.45	99.86	103.57	99.86	146.97	118.23	127.33
Malaysia (68)	221.69	+0.6	183.66	173.42	184.22	230.05	+0.0	2.85	220.64	184.14	177.75	184.34	229.95	247.78	189.78	199.47
Mexico (18)	1515.97	+0.6	1254.92	1184.90	1258.69	5077.71	+0.6	1.03	1506.53	1257.36	1213.71	1258.67	5045.24	1515.97	534.45	555.64
Netherland (31)	153.44	+0.7	127.01	119.93	127.40	125.98	+0.1	4.29	152.36	127.14	122.74	127.29	125.69	156.45	125.70	131.89
New Zealand (14)	46.63	-0.2	38.60	36.45	38.71	45.54	-0.8	6.03	46.72	38.99	37.64	39.03	45.92	54.64	41.18	43.60
Norway (25)	192.20	-0.4	159.10	150.22	159.58	163.24	-0.9	1.59	192.95	161.03	155.45	161.21	164.73	223.24	157.08	165.84
Singapore (38)	227.10	+1.2	188.00	177.51	188.56	170.99	+0.1	2.04	224.35	187.23	180.74	187.44	170.69	227.10	151.63	180.11
South Africa (61)	263.36	+1.1	218.01	205.84	218.66	186.60	+0.1	2.66	260.62	217.50	209.96	217.74	186.49	271.99	173.00	173.00
Spain (52)	154.52	+0.2	127.92	120.78	128.30	118.23	-0.4	4.68	154.15	128.65	124.20	128.79	118.71	171.12	131.51	142.04
Sweden (25)	187.90	+1.4	155.54	146.87	156.01	160.71	+0.5	2.78	185.22	154.58	149.23	154.75	159.86	204.12	146.80	162.21
Switzerland (59)	101.52	+0.8	84.04	79.35	84.30	88.08	+0.2	2.25	100.69	84.03	81.12	84.13	88.80	103.50	82.17	87.30
United Kingdom (234)	181.63	+1.1	150.52	142.11	150.96	150.52	+0.3	4.95	179.88	150.10	144.89	150.25	150.10	187.44	156.27	162.34
USA (523)	169.69	-0.6	140.47	132.63	140.89	169.69	-0.6	2.87	170.76	142.51	137.58	142.66	170.76	171.66	125.95	133.96
Europe (814)	147.15	+0.7	121.81	115.01	122.18	122.58	+0.0	3.83	146.06	121.90	117.67	122.04	122.57	151.52	123.50	132.87
Nordic (102)	188.06	+0.8	155.68	146.99	156.14	153.86	+0.1	2.10	186.60	155.73	150.34	155.90	153.77	200.81	155.56	168.16
Pacific Basin (718)	128.38	+1.4	106.26	100.33	106.58	101.92	-1.3	1.19	126.54	105.60	101.95	105.72	103.29	145.92	117.86	126.53
Euro - Pacific (1532)	136.17	+1.1	112.72	106.42	113.05	110.85	-0.8	2.37	134.63	112.36	108.46	112.48	111.70	147.56	121.29	122.45
North America (638)	167.91	-0.6	139.00	131.25	139.44	166.20	-0.6	2.88	168.93	140.98	136.11	141.16	167.22	169.66	125.91	133.49
Europe Ex. UK (580)	126.10	+0.5	104.39	98.58	104.72	106.37	-0.2	3.19	125.49	104.73	101.12	104.87	106.57	125.60	103.58	114.78
Pacific Ex. Japan (244)	153.49	+0.9	127.06	119.99	127.45	138.07	+0.2	3.85	152.07	126.91	122.53	127.07	137.82	153.49	111.40	116.47
World Ex. US (1726)	138.62	+1.1	114.75	108.36	115.10	113.14	-0.7	2.39	137.12	114.43	110.46	114.58	113.94	148.16	122.32	130.07
World Ex. UK (2015)	144.84	+0.3	119.89	113.21	120.27	128.53	-0.8	2.30	144.34	120.46	116.29	120.61	129.55	150.58	120.06	127.26
World Ex. So. Af. (2188)	147.29	+0.4	121.93	115.13	122.30	130.11	-0.7	2.57	146.69	122.42	118.19	122.56	131.01	153.05	122.92	130.12
World Ex. Japan (1775)	161.20	+0.0	133.44	126.01	133.86	149.05	-0.3	3.26	161.23	134.55	129.90	134.72	149.53	161.90	125.69	133.25
The World Index (2249)	148.08	+0.4	122.56	115.73	122.94	130.62	-0.7	2.58	147.44	123.05	118.79	123.19	131.51	153.70	123.28	130.37

Constituent changes with effect 21/1/92: Following the agreed merger between Asahi Chemical Inds. (Japan) and Toyo Jozo (Japan), the latter will be deleted. Deletion: Wagons Lits (Belgium).

FT LAW REPORTS

Italian banks cannot be sued in UK

ROYAL BANK OF SCOTLAND v CASSA DI RISPARMIO DELLE PROVINCIE LOMBARD AND OTHERS
Court of Appeal
(Lord Justice Mustill, Lord Justice Butler-Sloss and Sir John Megaw):
December 19 1991

THE UNIFORM Customs and Practice, when incorporated into an agreement between the issuing bank and the accepting bank under a letter of credit, does not dominate over express terms. And accordingly, where the parties expressly agree that reimbursement by the issuing bank should take place through its agent in the US, that is the "primary obligation in question" on a reimbursement claim by the accepting bank, for the purpose of determining jurisdiction under the 1968 Brussels Convention, irrespective of any underlying obligation the issuing bank may have under the UCP to reimburse in the UK on non-performance by the agent.

The Court of Appeal so held when dismissing an appeal by the plaintiff, Royal Bank of Scotland plc (RBS), from Mr Justice Phillips's decision (*FT, December 11 1990*) setting aside service of proceedings in six actions by RBS against the defendant Italian banks, Cassa Di Risparmio Delle Provincie Lombard, Banco Populare di Bergamo SCaRL and others, on the ground that the English court had no jurisdiction to hear the claims.

Article 2 of the Jurisdiction and Judgments Convention 1968, incorporated into UK law by the Civil Jurisdiction and Judgments Act 1982, provides that "persons domiciled in a contracting state shall, whatever their nationality, be sued in the courts of that state".

Article 5: "A person sued in a contracting state may, in another contracting state, be sued: (1) in matters relating to a contract, in the courts for the place of performance of the obligation in question..."

LORD JUSTICE MUSTILL said that Italian importers purchased a consignment of pears, payment to be in dollars in London via irrevocable letters of credit in favour of CIR Ltd.

A letter of credit to that effect was opened by Bergamo, available by RBS's acceptance of drafts drawn on RBS.

RBS was asked to add its confirmation.

The message making that request included a provision that on receipt of regular documents RBS should accept a beneficiary draft drawn on RBS "and at maturity you are authorised to reimburse yourselves with Manufacturers Hanover Trust Co — New York".

The contract between Bergamo and RBS was subject to the Uniform Customs and Practice for Documentary Credits, ICC No 400 1983 Revision.

Article 11d of the UCP provided that, by requesting a bank to add its confirmation, the issuing bank authorised it to pay, accept or negotiate against documents "and undertakes to reimburse such bank in accordance with the provisions of these articles".

Article 16a provided that, if an authorised bank effected payment, or negotiated against documents which appeared on their face to be accordance with the credit, "the party giving such authority shall be bound to reimburse the bank which has effected payment... or negotiated..."

Article 21b provided that an issuing bank would not be relieved from any of its obligations to reimburse if reimbursement was not effected by the reimbursing bank.

On March 13 1990 RBS reported to Bergamo that it had forwarded the credit to CIR, adding its own confirmation. On April 2 CIR presented the shipping documents to RBS in London. On April 3 RBS, after obtaining Bergamo's permission, took them up and accepted CIR's draft, expressed to mature on May 23.

Immediately on taking up the documents RBS took back the draft from CIR and discounted it, crediting the net amount to CIR's account.

While the bill was still current Bergamo received information giving grounds to suspect that the underlying transaction was affected by fraud and that the documents negotiated under the credit might be false.

On May 14 it telexed RBS suggesting it held back payment on the due date.

That was too late to prevent the discounting of the bill.

On May 22 Bergamo confirmed it was unable to pay RBS, and requested it to refrain from claiming reimbursement from Manufacturers Hanover which, it said, was no longer authorised to reimburse RBS.

RBS nevertheless did claim reimbursement when the bill matured. Manufacturers Hanover declined, as it was bound to do in the light of the changed instruction. It had no connection with the transaction save as Bergamo's agent.

RBS sought what it called "reimbursement" from Bergamo in the present action, by issuing a writ.

What it was claiming was not indemnity against the amount paid to the holder of its acceptance at maturity, but compensation equal to the amount for which it had bought back its own acceptance from the holder-beneficiary.

Pursuant to the practice for service under the Jurisdiction and Judgments Convention, the writ was issued without leave. It stated that the court had power under the 1982 Act to hear and determine the claim.

It was pleaded that, on the maturity date of May 23, RBS became entitled to be reimbursed $137,088 by Bergamo, and that Bergamo had failed to pay in breach of its contract with RBS.

By article 5 of the Convention, a person sued in a contracting state might be sued in contractual matters in another contracting state, in the "place of performance of the obligation in question".

In *Shenavai v Kreischer [1987] ECR 239* the European Court said that "where various obligations are at issue, it will be the principal obligation which will determine jurisdiction".

Italy and the UK were "contracting states" for the purposes of the Convention. The US was not.

Bergamo moved to set aside the writ, maintaining that the "obligation in question" for the purposes of article 5(1) did not fall for performance in the UK and that, accordingly, under article 2 the proper place for service was Italy.

RBS argued that the legal structure of the relationship between the parties to a documentary credit transaction was created by the UCP, and that so far as reimbursement of the accepting bank by the issuing bank was concerned, the obligation was created and defined by article 11d and 16a of UCP.

It said failure to reimburse was merely failure of the contemplated mechanism and it was the obligation of the issuing bank itself to pay pursuant to article 21b which constituted the principal obligation forming the basis of the proceedings.

Hence, it was said, in accordance with *Shenavai* it was to that obligation that the court should look when ascertaining the place of performance of the obligation in question for the purposes of article 5(1).

Neither the UCP nor the other terms of the contract stipulated the place where that obligation was to be performed so, it was contended, under English law place of performance was London where the RBS branch carried on business.

Mr Justice Phillips did not accept those contentions.

The case was founded on the proposition that the contractual relationship was dominated by the UCP and that the issuing bank's obligation to reimburse RBS derived solely from articles 11 and 16.

That was not so.

The UCP had an important role in the conduct of international trade. It expounded technical terms. It promoted consistency; and it enabled the parties to express their intentions briefly, without the need to negotiate and set out all the terms of the relationship at length.

Nevertheless, it did not constitute a statutory code.

It contained a formulation of customs and practices which the parties to a letter of credit transaction could incorporate into their contract by reference.

That being so, the obvious place to start when searching for a contractual term material to a particular obligation, was the express agreement between the parties.

Thus, when inquiring into the manner in which the issuing bank was to effect reimbursement, the court must look first at what the parties had expressly agreed.

It found the answer at once — reimbursement was to be made by Manufacturers Hanover in New York.

The "obligation in question" for the purposes of article 5 was the obligation to effect reimbursement, and that was an obligation which was due for performance outside the jurisdiction of the English court.

The appeals were dismissed. Their Lordships agreed.

For RBS: Timothy Walker QC and Alan Griffiths (Slaughter and May)

For the first five defendants: Simon Tuckey QC and Jeremy Storey (Mackenzie Mills)

For the sixth defendant: Richard Aikens QC and Jeremy Storey (Norton Rose)

Rachel Davies
Barrister

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FINANCIAL TIMES SURVEY

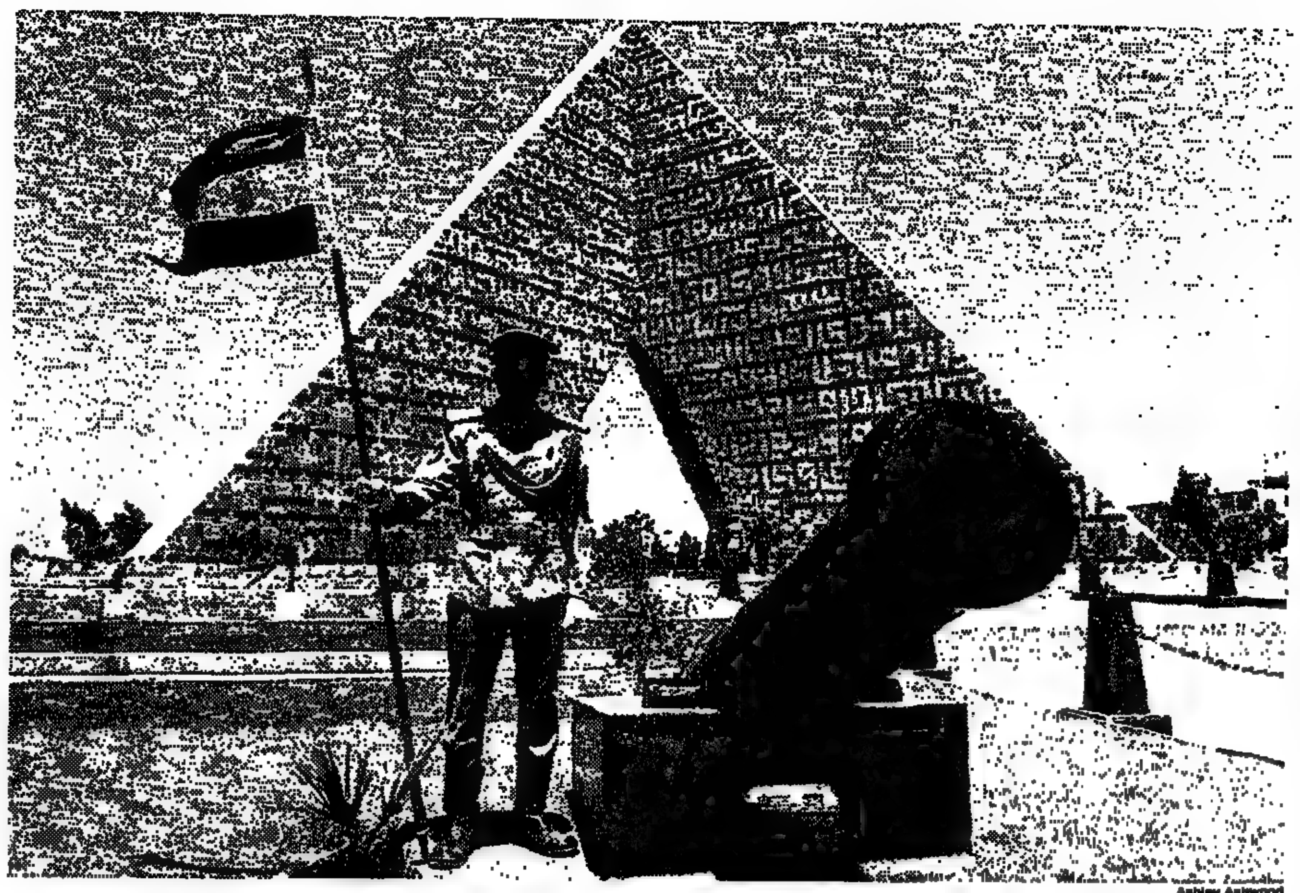
EGYPT

SECTION III

Tuesday January 21 1992

Egypt's finances and its international standing are now stronger than for several decades. But it still faces chronic economic and social problems and its rulers, constantly challenged by Islamic radicals, cannot afford to rest on their laurels, writes **Tony Walker**

The fruits of moderation



Cairo's memorial to President Anwar Sadat: 10 years of stability have followed his murder by religious fanatics

Ashley Ashwood

PRESIDENT Hosni Mubarak permitted himself some justified self-congratulation last October. He had weathered 10 difficult years in office that began so unpromisingly with the assassination of Anwar Sadat by Islamic militants.

Few people at the time of Sadat's assassination gave the then relatively unknown Hosni Mubarak much prospect of remaining in power for very long.

Ten years later Mr Mubarak appears firmly in command, although recent events in Algeria, where the democratic process was aborted by the military to prevent fundamentalists gaining power through the ballot box, show that in a volatile region nothing can be taken for granted.

For an Egyptian leadership, which is engaged in promoting its own slow process of democratisation, the lessons of Algiers will be pondered carefully. Indeed, Mr Mubarak had been privately critical of what he regarded as Algeria's hasty transition from one-party rule to putative multi-party state.

In impromptu remarks to the Financial Times last June he revealed that he had warned his friend, Algerian President Chadli Bendjedid, of the dangers, but his warnings had not been heeded.

The implication of Mr Mubarak's observations then were clear: Egypt would continue to proceed cautiously with its own democratisation. It would not bow to outside pressures to hasten political liberalisation. The danger in the wake of Algeria's troubles is that a president, known and often criticised for his gradualism in all things, will be even more cautious about economic and political reform.

Egypt has its own restless militant tendency to contend with, and there have been signs recently of the government bowing to Islamic pressure by prosecuting authors and banning publications frowned on by the radicals.

If it were not for concerns about a fundamentalist trend that appears once again to be entering one of its periodic upswings, Egypt's leadership could view the future with optimism after a successful year on various fronts.

Among all regional states, Egypt perhaps gained most from the Gulf crisis. Its commitment of about 20,000 troops, including a tank division, to the liberation of Kuwait and its role in holding together the anti-Iraq alliance in Arab forums were handsomely rewarded.

About half Egypt's foreign debt of $50bn was either forgiven outright or rescheduled on favourable terms. Its balance of payments is healthier than for several years thanks to increased oil revenues, stronger exports and a post-Gulf crisis rebound in tourism, its main currency earner.

After living from hand to mouth for most of the past decade with the Central Bank barely able to fund grain imports on occasions, Egypt is now in a much healthier position financially: according to IMF/World Bank estimates reserves stood at about $3bn at the end of 1991, sufficient for six months of imports. One effect of Egypt's much improved balance of payments was that the value of the Egyptian pound stabilised after falling some 60 per cent against foreign currencies in the past five years. Late in the year the pound was floated well ahead of a February, 1992 IMF deadline – a further sign of confidence.

The unifying of the foreign exchange market coincided with a favourable IMF review of progress in Egypt's implementation of a May, 1991 reform programme. The IMF granted Egypt a second tranche of a SDR 272m standby in recognition of it having achieved interim monetary growth and budget deficit targets. By the end of the year inflation, driven by IMF-inspired price increases, appeared to have abated somewhat. There were also anecdotal indications that the Egyptian economy, burdened by a lingering recession, had begun to grow again, although it was too soon to assess the strength of the pickup in economic activity.

While Egypt won praise from international lending institutions and aid donors for adhering to IMF monetary reforms, it was censured for slow progress in implementing a $300m World Bank sponsored structural adjustment programme. Critics worried that the benefits of the combined IMF-Bank reforms would be squandered.

Tardiness in pressing ahead with the liberalisation and rationalisation of the state sector, including a process of "denationalisation", is seen by both western economists and the local business community as slightly worrying. Fears are being expressed that Egypt might falter in its reform efforts after having cleared the first, namely the IMF, hurdle.

In the past the country's rulers have tended to rest on their laurels after imminent economic disaster had been averted by further injections of aid money or another round of debt rescheduling. But even at this moment of singular good fortune, Egyptian policy-makers cannot afford to be complacent. Any optimism must be tempered by the size of the country's manifest problems, including a chronic over-dependence on imported foodstuffs, lack of real economic growth and huge populations pressures. A critical shortage of managerial talent is not the least of the problems besetting the structural reform programme.

The authorities are right to be nervous about the consequences of reforms that bring further hardship to an already hard-pressed populace. Steep price rises for many basic commodities, as Egypt seeks to comply with IMF requirements for reductions in subsidies, have provoked fairly widespread grumbling, although no serious public disturbances.

The question is how much more people can tolerate before general unhappiness spills over into public agitation. Memories of the 1977 bread prices riots are still relatively fresh in the minds of the leadership and go some way towards explaining its innate caution.

Egypt has been lucky that the large unofficial economy (many Egyptians have two, three or even four jobs) has helped cushion the most painful effects of reform. According to some estimates the so-called underground economy accounts for as much as 25 per cent of GPD.

While Egypt's image in the West remains extremely positive, it has been tarnished somewhat by continuing reports of human rights abuses under the emergency laws that have been in force since President Sadat's assassination. These laws allow detention without trial for protracted periods, and have been used mercilessly against Islamic extremists.

While Egypt's efforts this past year to bring about economic reform and at the same time improve living standards have met with mixed results, its foreign policy achievements have been impressive. The election of Dr Boutros Boutros-Ghali as the new United Nations secretary-general crowned a highly successful year that saw the return after a 12 year absence of the Arab League headquarters to the banks of the Nile, and the installation of an Egyptian, Dr Esmat Abdel Meguid, as the League's secretary-general.

Egyptian diplomacy was also active and effective in efforts to bring about a Middle East peace conference in Madrid, and in continuing attempts to promote a settlement. Cairo has used its close relations with Damascus and with Riyadh to good effect in this regard. Few would argue that the diplomatic focus of the Arab world has returned to Egypt, and Egyptian diplomats are once again playing their traditional consensus role at the heart of Arab politics.

It is not the smallest of paradoxes that while Egyptian officialdom continues to show an aptitude for diplomacy, the reverse is the case with economic management.

IN THIS SURVEY

A Nile felucca at Aswan

Egypt resumes its geopolitical pre-eminence, writes **Tony Walker**

At centre stage again

WHEN Dr Boutros Boutros-Ghali was elected Secretary General of the United Nations last November – the first Arab to fill the post – it capped a highly satisfactory year for Egyptian diplomacy.

Mr Boutros-Ghali's appointment to the key UN job followed the election last May of *Dr Esmat Abdel Meguid*, the former foreign minister, to the Secretary Generalship of the Arab League. At no time in the four decades since the 1952 revolution and the coming to power of Gamal Abdel Nasser have Egyptians been quite so prominent in international forums.

The return of the Arab League headquarters to the banks of the Nile after an absence of more than a decade and the election of Dr Meguid confirmed a trend apparent for some time: the re-emergence of Cairo as the regional diplomatic hub.

Not that the Arab League plays much of a role these days: its effectiveness has been diminished by continuing divisions in the Arab world left over from the Gulf crisis. Iraqi malevolence makes it difficult for the League to take initiatives across a fairly broad

Meguid: Arab League chief

range of issues, but officials note in defence of the organisation that it is better for Baghdad to be involved in deliberations than for it to be left out in the cold.

Mr Amr Moussa, Egypt's new foreign minister, is seeking to energise Egyptian diplomacy both at a regional and at an international level in the light of upheavals in Eastern Europe and in the Soviet Union, and Europe's move to a unified market this year. To *this end, Mr Moussa raised* with European Community foreign ministers in Brussels in December the possibility of creating a new regional forum for European states and non-community countries of the Mediterranean littoral – stretching from Morocco in the west to Turkey in the east.

Egypt wants the "Mediterranean forum" to provide a framework for the discussion of such issues as security, trade and the environment. Mr Moussa made it clear in an interview that Egypt was keen to hitch itself to European security arrangements being developed under the umbrella of the Conference on Security and Cooperation in Europe (CSCE). "I believe that the essence of new thinking and new security in the Middle East is to link up with the world. And you cannot do that without cooperating with Europe and establishing a new *forum based on the Mediterranean region*," he declared.

Egypt is also deeply concerned about disruption to its traditional East Bloc markets caused by the disintegration of the Soviet Union and the dramatic economic changes among the old Comecon group of states, many of whom were among Egypt's most reliable trading partners. Egypt's cosy state-to-state trading relationship with the Soviet Union amounting to about $1bn annually in two-way barter trade is now an institution of the past.

Mr Moussa and his advisers fear that Egypt will be slow to respond to these dramatic changes and trade will suffer *as a consequence. The new for*eign minister, who is in his fifties, perhaps understands better than his predecessors the link between an effective foreign policy and sound economic policies at home. Egypt's economy, he says will have to become "more international in its outlook".

At no time since the 1952 army Revolution of Gamal Abdel Nasser have Egyptian statesmen been quite so prominent in international political forums

Egypt's traditional consensus role in Arab forums has been most conspicuous in its efforts to help facilitate the US-sponsored Middle East peace process. The only Arab state to have established relations with Israel, Egypt continues to devote considerable diplomatic energy to faltering attempts to promote Middle East peace. *Cairo was helpful in securing* Syrian and thus Lebanese cooperation, and also used its weight to back Palestine Liberation Organisation moderates in their decision to sanction the participation of Palestinian surrogates in negotiations with Israel.

The PLO leader, Mr Yasser Arafat – snubbed by Egypt because of his support of Iraq in the Gulf crisis – is a regular visitor, once again, in Cairo. Egypt's return to prominence in Arab forums has been facilitated by it close relations with both Saudi Arabia, the smaller Gulf Arab states, and with Syria. The Cairo-Riyadh-Damascus axis, which solidified during the Gulf crisis, is, for the time being, dominant in Arab forums.

Egypt's relations with Jordan have also begun a slow improvement, but mistrust persists over King Hussein's role

Boutros-Ghali: UN supremo

in the crisis. Egyptian leaders suspect that he was more deeply implicated in Iraqi designs than he has been willing to admit. Cairo's other regional concerns have focused on the fortunes of its two closest neighbours: Libya and Sudan.

A conspicuous feature of relations with Tripoli has been Egyptian efforts to calm international anger over allegations that Libyan agents bombed US and French passenger planes in 1988 and 1989. Egypt, which has worked extremely hard to encourage Libya's Colonel Muammar Gadaffi to moderate his behaviour, fears that a sanctions campaign will undo its efforts. It was noticeable that Col. Gadaffi turned to Cairo for support when international pressure grew.

Egypt's concerns about neighbouring Sudan go deeper, since the stakes are much higher. Further upheaval in Sudan and possible growing antagonism towards Egypt could threaten its lifeblood, the Nile, whose twin tributaries join at Khartoum, the Sudanese capital. Cairo believes that a weak military leadership in Sudan is being manipulated by the militant Islamists, and this poses serious dangers not only for internal Sudanese stability, but may lead to a further worsening of relations with Sudan's neighbours.

Egyptian leaders have never made any secret of the fact that they would not hesitate to go to war to protect the nation's sole water source. the question is to how much circumstances need to deteriorate in Sudan before Egypt felt obliged to intervene.

A tighter credit regime is exposing several banks' inherent weaknesses, writes **Tony Walker**

Disciplines in a crowded marketplace

EGYPT'S bankers have experienced a tough year with the government tightening credit restrictions and introducing new IMF-inspired prudential requirements that are tending to expose the inherent weakness of a number of banks.

The successful introduction of a treasury bill auction system last January has squeezed liquidity in the market. Life has been made more difficult for banks with small deposit bases and thus over-dependent on what has proved an extremely tight interbank market. The latter part of 1992 has been marked by debate about a new law, aimed at strengthening Central Bank control over the financial sector which has long required more sophisticated monitoring.

Influential figures in Egypt's financial circles have criticised sharply provisions in the proposed new law that would give the Central Bank the power to order the liquidation or merger of banks under its jurisdiction. Other provisions that would effectively invest the Central Bank with veto power over board members and managers of banks have also been attacked by those who claim that such measures run counter to the spirit of liberalisation that the government claims to have embraced.

Representatives of some 18 foreign currency branch banks – those that are empowered to deal only in foreign currency – were especially disappointed that the new banking law did not contain provisions that would allow them to trade in local currency. These banks, most of which were established in the 1970s, have been agitating for years for their charters to be broadened, but in spite of repeated undertakings to look favourably on their requests, the government seems reluctant to redefine the role of institutions in an already crowded marketplace.

Foreign branches, which had sought to develop a niche for themselves by pioneering debt swaps, have been frustrated in recent months by delays in official approvals. Officials say they have been seeking to ensure that new business does not contradict the spirit of the May, 1991 Paris club agreement under which a substantial portion of Egypt's official debt was rescheduled on extremely favourable terms.

Egypt's banking system, which includes about 38 commercial banks, is dominated by the "big four" public sector banks – National Bank of Egypt (NBE), Banque Misr, Banque du Caire and Bank of Alexandria. With their vast branch networks these dwarf the rest of the banking sector, accounting for more than two thirds of total bank deposits.

After many years of prevarication, the government has at last acted to strengthen the balance sheets of these state-controlled banking giants to bring their operations into line with Bank of International Settlements criteria. Not least of steps adopted is the injection of new capital into each of the "big four" with increases of LE1bn apiece for NBE and Banque Misr, and LE750 million for Banque du Caire and Bank of Alexandria.

All banks in Egypt, and most particularly the four "core" institutions, are also being obliged to meet BIS criteria for doubtful and non-performing loans. Previously, extremely lax definitions applied. At this stage there is no talk of privatising the financial sector, but in time, assuming that Egypt's stuttering liberalisation process proceeds, there is an increasing likelihood of calls for divestiture of state-controlled financial institutions.

Government efforts, under IMF pressure, to bring capital adequacy requirements into line with international standards plus the enforcement of much tougher provisioning requirements will make these debt-laden institutions more appealing to investors. Most active in new private sector business are the bigger joint venture banks led by Misr International Bank (MIBank) in which First National Bank of Chicago has an interest. Other market leaders include Egyptian American Bank, 49 per cent owned by American Express, and the NBE-owned Commercial International Bank.

For much of the year, the banking sector has been overshadowed by the Bank of Commerce and Credit International scandal which has had a direct fall-out in Cairo where a BCCI joint venture had placed $466m of hard currency deposits with its parent

For much of the year, the banking sector has been overshadowed by the Bank of Commerce and Credit International scandal which has had a direct fallout in Cairo where the joint venture BCCMisr (BCCI's stake in BCCM is 49 per cent) had placed 80 per cent or $466m of its hard currency deposits with its parent. The authorities appointed an administrator in an effort to salvage something from the wreckage.

Hopes of recouping lost funds depend partly on the importance Abu Dhabi's ruling family – the owners of BCCI – attach to fraternal relations with Egypt. President Mubarak has, more than once, appealed to Abu Dhabi's Sheikh Zayed to make good the losses. Among local banks, the Saudi-owned Faisal Islamic Bank was also particularly hard-hit by the BCCI disaster. Faisal Islamic lost millions in the 1980s due to failed BCCI-managed operations in the Cayman Islands. Faisal Islamic managers insist losses were much less than the $360m reported.

IMF officials monitoring Egypt's introduction of financial sector reforms say they are well-satisfied with developments. They are especially pleased with the operations of the treasury-bill auction system. By the end of the year there was some LE7bn of stock outstanding with interest rates around 20 per cent. The new system is credited with achieving its aim of soaking up liquidity, and together with the introduction of tight credit ceilings had helped somewhat to counter inflation.

Businessmen have complained long and loud about the IMF-inspired credit squeeze, but the tight money policy appears to be achieving one of the IMF's principal aims: encouraging local investors to repatriate funds lodged abroad. While evidence at this stage is largely anecdotal there are positive indications that capital flight is at last being reversed.

Central Bank figures indicate one other promising trend: the beginning of a process of a "de-dollarisation" in response to the liberalisation of interest rates. The latest CBE report noted that in 1990-91, savings in local currency increased by 26.7 per cent compared with 19.8 per cent the previous year. Growth *in deposits in foreign currency* was down to 9.5 per cent against 16 per cent in 1989-90.

Perhaps the most striking reform of the past year has been the floating of the Egyptian pound well ahead of the February, 1992 deadline agreed with the IMF. Surprisingly, and certainly not altogether to the IMF's liking, the pound has remained remarkably stable in the past year, trading at around LE3.30 to the dollar.

This is attributable to Egypt's much improved reserve position, to the liberalisation of interest rates and to the government's tight money policy. The IMF and World Bank had been calculating that the pound would drift lower against foreign currencies, thus improving Egyptian competitiveness.

The new year may produced greater fluctuations as the new exchange system settles down. The introduction of official money changers may also enliven things. The banks themselves will be looking to a further easing of credit restrictions.

US assistance is far from trouble-free, writes **Hugh Carnegy**

Lost: 20m condoms

FOR AMERICAN officials administering the $815m annual US aid programme for Egypt, the Case of the Missing Condoms is no laughing matter.

Acutely sensitive to any allegations of misappropriation of US taxpayers' dollars, officers of the US Agency for International Development (USAID) were alarmed as well as embarrassed when it became clear recently that no fewer than 20m condoms allocated to a Washington-backed Egyptian birth control programme had been taken up by local private sector companies.

Private sector involvement in the scheme was officially prescribed. But USAID officials did not believe such a "surprisingly high" number of condoms could realistically be properly distributed by the private sector.

Jokes quickly began circulating among Egyptians that the condoms had been sold as children's balloons. USAID suspects they have been sold for profit or are being hoarded. The agency is threatening to bill the Egyptian authorities unless the missing items are accounted for.

The condom mystery is more than just an amusing tale to be told at the expense of American blushes.

It also illustrates how the USAID programme extends to the most mundane levels of Egyptian life.

In the years since Washington began pumping in economic aid, as a reward for Egypt's 1979 Camp David peace treaty with Israel, more than $15bn in grants have been forthcoming.

Since Egypt's 1979 peace pact with Israel, it has received more than $15bn in US grants and military assistance of $1.2bn a year

The aid, which comes on top of the $1.2bn annual military assistance, is much less in both absolute and per capita terms than the yearly US economic aid to Israel. Unlike Israel, which gets the money "up front" to disburse as it pleases, USAID runs a 500-person operation in Egypt to manage the project-by-project allocation of the assistance to the country.

Nevertheless, USAID funds have become an extremely important and constant source of development funding in the economy. In particular, they play a vital role in supporting infrastructure development, which accounts for about one third of the annual USAID flow to Egypt.

The funds are divided into three main categories:

- $115m a year goes in the form of a cash subvention to the Government, to date loosely tied to economic performance but not conditioned specifically to policy.
- $200m a year is allocated for commodity imports from the US, until recently chiefly for the public sector, but now weighted $175m to $25m in favour of the private sector.
- $500m goes for infrastructure and social sector development.

Schemes supported under the last category cover crop research and development, reducing Government interference in agricultural prices, basic education projects, health programmes – USAID claims its child disease aid has helped reduce infant mortality from 100 deaths per 1,000 to fewer than 50 – population control and local development projects.

By far the biggest sums, however, have been spent on infrastructure, chiefly in the areas of potable water and wastewater programmes, power generating plants and telecommunications.

USAID has been the biggest outside backer by far for the huge Cairo sewage project, now more than 12 years old and within a few years of completion. A total of $816m has been committed to the scheme. Wastewater projects in Alexandria will account for $350m and smaller projects in three Nile cities and three Suez Canal cities will swallow a further $500m.

There is a heavy flowback to the US as American contractors do 79 per cent of the work and US companies supply much of the inputs. But the payout to Egyptian contractors is considerable and the benefits to Cairo and the other cities as a whole are unarguable. The next biggest USAID infrastructure commitment is to the power sector where $1bn has been earmarked. US officials say more than one quarter of all Egypt's generating capacity has been US-built. One project just at the completion stage is a $150m job to replace the 24 "runners" which feed the turbines at the Aswan High Dam.

Irrigation near Luxor: pumping in the dollars

Telephone users in Cairo and Alexandria will also testify to the effects of $300m put into the hopelessly outdated telecommunications systems in the two cities by USAID in the past few years.

The decisions on how USAID money is spent are taken by USAID and officials from the Ministry of International Cooperation. Each side has a veto in the sense that a project cannot go ahead unless both sides agree to it.

Under the new director of the Egypt USAID operation, Hank Bassford, a strategic reassessment is underway to review where the money goes. The trend is clearly to shift away from pure public sector works to a greater involvement in the private sector, in line with the course of economic reforms set for Egypt by its agreements with the IMF, World Bank and Paris Club creditors.

"For years we couldn't really do anything in the private sector for political reasons," says a US diplomat. "There are still a lot of old-line socialists going back to the Nasser period in the bureaucracy who really don't want to change. But we are beginning to overcome the Government's reluctance to commit our funds to the private sector."

With the Government, Mr Bassford is also aiming to design assistance schemes which help Egypt meet the reform targets it has been set. USAID money is, for example, supporting studies by Peat Marwick on how to administer a new general sales tax and, similarly, work by Coopers and Lybrand on privatisation.

USAID funds will continue to be a big source of traditional development funding. But assistance will tend to be more closely policy-related. "We will not attempt to move them in new directions, but we will help them to carry out the economic reform programme they are already committed to," says Mr Bassford.

Tony Walker detects signs of vitality in the hard-pressed economy

The medicine seems to be working

EGYPT'S economy enters the new year in better shape than many can remember, with an improved balance of payments and amid signs that IMF-inspired monetary reforms are beginning to work their way through the system.

President Hosni Mubarak: something to smile about

The IMF, in a review of progress towards implementing its May, 1991 programme, approved Egypt's reform efforts, and had no hesitation in disbursing the second tranche of an SDR272m standby credit.

Fund officials focused particularly on Egypt's efforts to restrain its budget deficit. Overspending has been the rock on which previous IMF reform programmes have foundered, most notably the short-lived 1987 agreement which barely lasted long enough for the ink to dry. A Fund spokesman said that Egypt appeared to be making progress in its efforts to curb spending, and he was relatively confident that it would hold its deficit more or less to the target of 10.3 per cent of GDP for 1991-92.

This assessment surprised observers since it was assumed that teething difficulties in collecting a new sales tax and also lower-than-expected tax receipts due to the lingering recession would make it difficult for Egypt to adhere to IMF budgetary targets. Egypt's much improved balance of payments – the deficit this year is expected to drop below $1bn – is due largely to the strong rebound in the tourism sector and to the forgiveness or rescheduling of about half of its $50bn foreign debt following the Gulf crisis (interest payments this year will be down to about $600m).

Other positive factors included cash transfers of aid from Gulf states in recognition of Egypt's role in helping to mobilise Arab opposition to Iraq's takeover of Kuwait, and stronger exports. Egypt's improved access to markets in Libya and in the Gulf have been a factor in this.

Another pleasing development has been the pick-up in the construction sector driven partly by the real estate boom. Construction had been in the doldrums.

While representatives of international lending institutions and aid donors accord Egypt high marks for the implementation of IMF reforms aimed at curbing inflation, reducing the debt burden and stabilising the currency, they are much less complimentary about efforts at structural reform, the other key element of the reform programme.

Egyptian tardiness in complying with World Bank requirements that it raise cotton prices to 60 per cent of the world market to encourage local production, and delays in removing trade restrictions held up disbursement of some $300m in structural adjustment loans.

Egypt has also made something of a mess of efforts to set in place the necessary machinery to disburse up to $400m in a World Bank-sponsored "social fund" to help soften the blow of structural adjustment that will lead to the loss of jobs in some sectors. A danger for the IMF-World Bank reforms is that the two halves – monetary reform and structural adjustment – will get so far out of tandem that reform efforts, which rely on a balanced programme of demand and supply side measures, will be dissipated.

Government fiddling and time-wasting are especially evident in the implementation of reforms of Egypt's unwieldy public sector which accounts for about 70 per cent of industrial output. A meaningful divestiture programme is one of the principal demands of the World Bank and aid donors, notably the US.

A new public sector law meant to facilitate privatisation is so hedged with qualifications that opponents of divestiture should find it a useful asset in their efforts to slow down the process. Divestiture thus far has been largely restricted to the tourism sector where government-owned hotels are beginning to be sold to private investors.

The authorities have commissioned the international accounting firm, Coopers and Lybrand, to begin valuing public assets for possible sale, but there is no sense of urgency. There are many candidates for divestiture in the sprawling public sector. There is scarcely one sector of the economy, heavily nationalised in the 1960s, that is free of government involvement – from confectionery to heavy industry.

The much better balance of payments is due largely to the tourism upswing and the rescheduling of half the $50bn foreign debt

Unlike many of the countries of Eastern Europe, Egypt is adopting an extremely cautious approach to "de-nationalisation", and seems in danger of repeating some of the mistakes of the past. One ominous development is the new public sector law's provision for the establishment of government-controlled "holding companies", grouping similar industries, that are meant to act as "half-way houses" to divestiture.

Critics claim that this will create yet another level of bureaucracy and, rather than facilitate privatisation, will make things much more complicated. Government officials insist that the new law reflects a commitment to liberalisation.

Another focus of World Bank concern is the run-down state of Egypt's capital markets. The Bank has sponsored several studies into ways in which capital markets might be enlivened, and new legislation reflecting these recommendations is being drafted. Among factors slowing activity in stock and bond markets are a serious lack of management sophistication, lack of underwriting institutions and tax laws which discriminate against equities in favour of tax-exempt bank deposits, interest income and returns on government paper.

As last year drew to a close, it appeared that inflation was easing with prospects that interest rates may begin to come down. The IMF believes that inflation could be brought below 20 per cent for fiscal 1991-92, but assessing the real rate of price rises in Egypt has always been difficult since staple items continue to be subsidised. Unemployment continues to be high, especially among urban youth (rates are said to exceed 20 per cent).

But the situation eased somewhat in the latter part of 1991. While tens of thousands of Egyptian workers fled Iraq during the Gulf crisis, many have found work in Libya and in the Gulf states. Kuwait and Saudi Arabia have been replacing their Palestinian and Yemeni expatriate workers with Egyptians. Improved ties between Cairo and Tripoli have opened the way for many Egyptians to work in Libya.

Economically, Egypt is far from being out of the woods, but circumstances are certainly more promising than they have been for several years. Foreign currency reserves, according to latest BIS figures, stand at about $3bn and prospects are for a continuing healthy reserve position, provided tourism holds up, oil prices remain at more or less present levels and aid flows are sustained.

But few would deny that much work needs to be done to promote real economic growth along with efforts to encourage non-traditional exports to reduce a chronic trade imbalance. As an IMF official observed: "The Egyptian authorities need to work on the real sector of the economy. They have done what they can on the monetary side."

Hugh Carnegy on one of the world's biggest sewerage projects

Drain age comes to Cairo

A SEWAGE pumping station may seem an unlikely spot for a big official celebration. But glasses will today be raised at Ameria in north eastern Cairo to mark the inauguration of probably the world's biggest new sewer building operation.

The somewhat coyly named Greater Cairo Wastewater Project is behind schedule and some way from full completion. Nevertheless, the opening of the first phase of the scheme to provide a proper sewage disposal system for one of the globe's most notoriously overpopulated and insanitary cities is a significant moment which promises a cleaner and healthier future for the Egyptian capital.

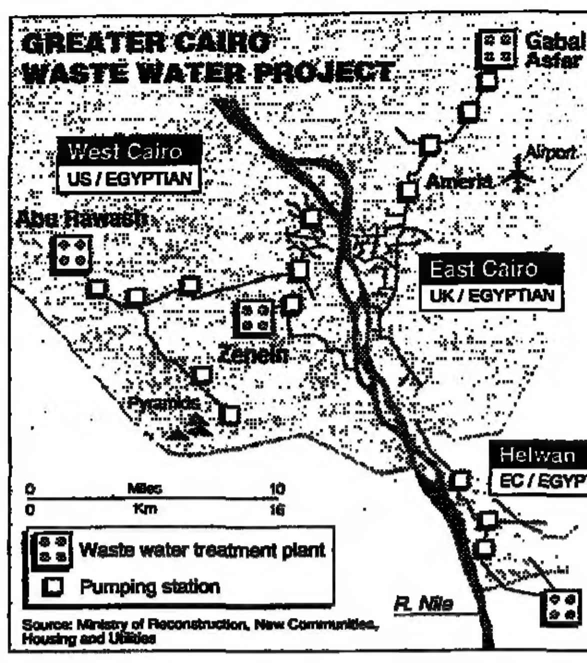
When the eight huge centrifugal pumps sunk in the cylindrical Ameria station are switched on, they will suck 650,000 cubic meters of sewage a day out of a newly constructed main tunnel and its branch feeders collecting waste from Cairo's east bank of the Nile for conveyance by culvert and drain out of the city.

When all the systems encompassed by the Cairo wastewater project are up and running, perhaps in 1995, they are designed to cope with a total sewage flow from the city's 12m-plus population of more than 2m cubic meters a day – and be expanded to meet the capital's wastewater output well into the next century.

This huge civil engineering task, the centre piece of an extensive Government programme to modernise Egypt's creaking infrastructure, was first conceived in the late 1970s.

By then it was odorously clear that the existing city sewage system, designed by British engineer J. Carkeet James in 1910 for a projected population of just 1m, was woefully inadequate, despite two improvement projects undertaken down the years. Infant mortality rates in Cairo of twice the average in developing countries gave statistical backing to the all too visible evidence in the streets of an overflowing system.

What transpired was an EL5bn project which has been planned and executed jointly by the Egyptian Government and British and US contractors, with heavy US and British financial backing.



Source: Ministry of Reconstruction, New Communities, Housing and Utilities

The Government set up the Cairo Wastewater Organisation (CWO) to oversee the scheme which has been managed by a joint American-British consultant group – called Ambric – made up of the US companies Camp, Dresser & McKee and Black & Veatch, and the British companies John Taylor (now Acer/John Taylor) and Binnie and Partners.

An initial $130m emergency scheme, including $100m in US aid, was set up to rehabilitate the existing system, mainly by refurbishing more than 100 pumping stations around the city. Completed in 1987, this was responsible for a marked reduction in street sewage floods still proudly shown off by Egyptian officials in dramatic "before and after" photographs.

But the real work was to be on a much greater scale. As it evolved, Cairo was divided into its two natural geographic halves, the east and west banks of the Nile.

On the east bank, backed by £65m in British government grants and £185m in loans from Samuel Montagu underwritten by the Export Credit Guarantee Department, British contractors and their Egyptian partners would bore a new 12-km long main tunnel and an extended closed culvert to collect and carry sewage to Gabal el-Asfar north east of the city.

There a wastewater treatment plant, initially capable of processing 1m cubic meters of flow a day, would be built. Once complete, more than 140 old pumping stations could be decommissioned.

On the west bank, a similar scheme was designed for the American-led effort. Culverts, not tunnels, were required to carry effluent westwards to a treatment plant at Abu Rawash. But extensive work to install sewers in previously unsewered areas, including the Pyramids, was needed.

Initiated by Mrs Margaret Thatcher in 1985, the east bank scheme was the biggest overseas construction project ever undertaken by UK companies.

The main tunnelling contracts went to two consortia, one comprising Tarmac, Balfour Beatty, Cementation, Edmund Nuttall and Arab Contractors of Egypt, the other Lilley International and Misr Engineering. Other companies to get a share of the work were Kier, Christiani and Nielsen, GEC, Laing and Fairclough.

Not all was plain sailing. There were technical delays, including an 18-month hold-up in sinking the Ameria pumping station caisson and delays in acquiring the 36m acid-resistant bricks needed from local producers for the lining of the 5m-diameter main tunnel.

There were also financing problems. Some £150m to finance outstanding branch tunnelling work is not secured. More seriously, the commissioning of the $160m Gabal el-Asfar treatment plant was seriously delayed by disputes between the Egyptian and British sides over financing. Eventually the Italian government stepped in. But the plant is five years behind schedule, meaning east bank sewage will flow untreated to the Mediterranean Sea at least until 1994.

The much bigger commitment of the US government – $816m has been pledged to the Cairo Wastewater Project by the US Agency for International Development – has meant smoother progress on the west bank. Completion there is set for September 1994. Meanwhile, the EC has put up funds to back a sewage scheme in Helwan in south Cairo to complete the picture over the 875 sq km Greater Cairo area.

Mr Selama A. Salem, the chairman of the CWO, is understandably enthused by the transformation he has presided over. But he acknowledges that completion of the project raises new issues to be overcome. The government has not yet decided what it will do with the treated wastewater – or the hundreds of tonnes of sludge that will be left over.

More difficult is deciding how to structure the operation and maintenance of the system which Mr Salem estimates will cost EL120m a year at present prices.

Joint venture companies with the foreign contractors will operate the systems for the first few years. After that, the Government is contemplating merging the now separate fresh water and waste water authorities and possibly breaking up and privatising the resulting structure along the lines of the British water privatisation.

Confidence is rising in the oilfields, writes Tony Walker

A new hand at the pump

FOR EGYPT'S oil and gas sector it has been a year of upheaval, but things appear to be settling down following the abrupt replacement last May of the long-serving oil minister, the volatile Dr Abdel Hadi Qandil, by Mr Hamdi el-Banbi, a low-key technocrat.

The new minister of Petroleum and Mineral Wealth has quietly put his stamp on his ministry with a reshuffle of senior positions and a new pricing policy for crude oil exports.

The new formula, which applied from October 1, sets the price of Egypt's benchmark Suez Blend crude at 60 per cent Brent minus $3.00, 20 per cent Iran Heavy minus $0.55 and 20 per cent Suez Blend spot.

Mr Tarek Heggy, head of Shell in Egypt, was speaking for the industry when he observed that "in the old days, Egyptian pricing was a dollar out on a daily basis, now its barely a dime". Apart from bringing greater order to the daily marketing of Egyptian crude, and thus lessening friction with foreign companies, the new formula is also designed to appeal to purchasers seeking long-term contracts.

Mr Banbi's initiation in his early days as minister has not been without pain, however. British Petroleum's decision to sell its 16.67 per cent stake in the Suez Oil Company (SUCO) to Repsol of Spain and to scale down its activities in Egypt was hardly a vote of confidence. But BP executives say the decision was less a reflection of the difficulties of doing business in Egypt than of the company's worldwide rationalisation to enable it to concentrate on new and perhaps more promising exploration zones.

Mr Banbi, at a meeting of the American Chamber of Commerce in Cairo late last year, sought to place the best gloss on the BP decision, noting that big players such as Shell had come and gone in Egypt without serious effect.

The new minister also foreshadowed a renewed drive to increase areas under exploration for both oil and gas after a hiatus period in the past year or so, due in part to personnel changes in the petroleum ministry and in the Egyptian General Petroleum Corporation (EGPC). Fourteen exploration agreements were currently being processed, and there would be at least two bid rounds for new acreage this year. "Our goal is not only to maintain our reserve base of 6bn barrels equivalent, but also to exert all efforts to increase it," Mr Banbi said.

To this end, Egypt has, since the mid-1980s, been encouraging oil companies to explore for gas. The introduction of a new gas clause has spurred efforts in that direction. Egypt's present gas reserve totals 12 trillion cubic feet (TCF). The target is 27 TCF to meet anticipated demand for the next 20 years. Dr Banbi, in his American Chamber address, described this as a "real challenge to all involved."

He added that if companies discovered larger quantities of gas than could be absorbed by the growing domestic market, as Egypt seeks to convert as much as possible of its power sector and larger processing industries to gas use, surpluses could be exported.

Shell has been particularly active in gas exploration and development. Its main production comes from its Badr al-Din deposits in the Western Desert where reserves total about 2TCF. The gas is delivered via a 270-km pipeline to al-Amiriya near Alexandria. Shell has also been among the leaders in investment in oil exploration with drilling programmes from the Gulf of Suez to the Western desert: it has made modest finds in both, including gas in the latter. It is also exploring offshore in the Mediterranean.

British Gas is another foreign participant which is relatively bullish about its investments in Egypt. The company, in partnership with Yukong of South Korea and Union Pacific Petroleum Suez of the US, is committed to commercial production from its Gulf of Suez North Zafarana concession. Reserves in the British Gas concession – the first sizeable find in the Gulf of Suez for several years – are put at between 50-100m barrels, somewhat less than indicated by initial exploration.

Among other noteworthy developments in the past year or so was Repsol's strong entry to the Egyptian scene. In 1990, it bought Conoco's Western Desert interests, and followed that up in 1991 with its SUCO purchase. Repsol's aggressive strategy in Egypt appears aimed at securing a reliable Mediterranean source of crude oil.

Mr Banbi's elevation to minister (he was previously chairman of EGPC) was accompanied by the good news that Egypt's oil export earnings jumped by 70 per cent to $2.54bn in the year to June, due largely to the Gulf crisis.

Cotton growing is in decline, writes Caroline Southey

White gold loses its shine

EGYPT can still claim to produce some of the best quality cotton in the world. But it has singularly failed to breathe life into an industry which has been in steady decline for 20 years.

Cotton remains one of the most important crops produced in Egypt. Exports are Egypt's fifth largest source of foreign exchange earnings, after oil revenues, worker remittance, tourism and Suez Canal earnings.

Cotton output fell sharply in the early 1970s and in the past decade dropped a further 40 per cent. This year, planted acreage is expected to show a further sharp decline.

Despite increasing export prices, export earnings have fallen steadily. Gross revenues for lint were $200m for the 1989-90 crop but are expected to decline to $170m for the 1990-91 crop.

Cotton is important to Egypt for reasons other than foreign earnings. The textile industry is a major public sector employer, with about 230,000 workers in 31 public sector plants – operated by the Textile Industries Corporation under the Ministry of Industry.

It is precisely because of its importance that the government is reluctant to relinquish control and cotton continues to be one of Egypt's two remaining controlled crops (the other is sugar cane.) Cotton production and procurement is mandatory and marketing and export remain government monopolies.

Farmers almost unanimously do not like to plant cotton. Known in the past as "white gold" in Egypt, it is now referred to as the "government's crop".

Many farmers still find it more profitable to pay the minimal fines for not growing cotton or to divert resources to the production of other more lucrative crops.

The government openly admits its policies actively discourage farmers from growing cotton. Mr Hassan Khetr, the ministry's under secretary in charge of agricultural economics and statistics, talks of the "disease" of government control that has worked as a disincentive to farmers.

"The government was squeezing cotton producers – they were getting 25 per cent less than what they deserved," he says.

The government has outlined three objectives and insists that it is committed to them:

- to reform the pricing policy by increasing the procurement price of cotton to a level closer to its world price;
- eliminating subsidies;
- eventually privatising the cotton sector.

Central agriculture planning is to be relaxed

Farmers in clover

EGYPTIAN agriculture is one of the most productive systems in the world. Of a total area of 286m acres, only about 6.5m acres, or 3 per cent, are arable – mostly along the Nile and its delta.

Centralised control, which has acted as a brake on this productivity over the last three decades, is being dismantled, and Egypt's estimated 3.5m farmers may soon be able to reap the real benefits of their labours.

Egypt's Ministry of Agriculture has targeted three areas for reform, all with varying degrees of success:

- state control of production patterns and crop quotas;
- price controls;
- land reclamation.

The main reason for these reforms remains Egypt's food import bill of $4bn a year.

Traditionally the ministry has tightly regulated the sector by dictating production patterns through crop quotas, procurement prices and input allocations.

This control was dictated partly by the big food subsidy programme, which remains in place. About 90 per cent of Egypt's population is eligible for a ration of subsidised sugar, vegetable oil, and rice.

These controls have affected productivity and yield ratios. Many farmers, for example, have grown *beseem* (clover) because they have been able to sell it for a higher price than many other crops.

"We had become obsessive about control to ensure the fullest production," says Dr Hassan Khetr, the ministry's under secretary in charge of agricultural economics and statistics.

The present structures have been in place since nationalisation in the early 1960s. Because it was difficult to talk about nationalising the total production process in agriculture, the government confiscated decision making rather than land.

"Our reforms are aimed at getting the government out of the production process. Our mandate is to create a conducive environment for producers – the farmers," he says.

Reforms initiated in 1986 have already begun eroding state control. The government no longer sets fixed production quotas, prices and government allocation of fertilisers for crops, except cotton and sugar cane.

In the case of wheat, marketing and production controls – including mandatory acreage – were liberalised in 1987. Since then production has increased sharply. In 1990 wheat production reached a record 4.2m tonnes and it is expected to climb to 4.8m tonnes this year – sharply higher than the 1.8m tonnes produced in 1986.

Although self-sufficiency has re-emerged as a national issue, Egypt remains the world's largest flour importer and the third largest wheat importer. Production increases have done little more than keep pace with a rise in consumption.

Imports of wheat are expected to total 6.5m tonnes this year, the same as last, while total consumption, 10.6m tonnes last year, is expected to rise to nearly 11m tonnes this year.

Despite dreams of self-sufficiency Egypt is the world's largest flour importer and third wheat buyer

But increased production has to be weighed against increased consumption. The Ministry of Agriculture and Land Reclamation argues that the two have increased in tandem, keeping the import bill static.

But the task remains formidable – and, according to the Ministry of Agriculture and Land Reclamation, not solely its responsibility.

It points to Egypt's population, which increased by 2.3 per cent – or 1.25m people – last year.

The ministry also argues that consumption patterns need addressing. Each Egyptian consumes 200kg of flour a year, more than in any other nation.

The ministry also says the wheat import bill could be reduced by tightening the pricing system further. The number of different prices for flour (destined for bread-making) has been reduced from seven to three.

"Unless consumption and production patterns are altered significantly, domestic agriculture will play an increasingly supplementary role in providing for Egypt's food needs," a foreign adviser warns.

Egypt's foreign advisers argue further that self-sufficiency will remain a dream for Egyptians because of a shortage of land.

Expanding the land base and reclaiming the desert for agricultural purposes continues to be a policy priority for the government.

Over the last five years land reclamation projects have added 750,000 feddans (a feddan is about one acre) to the land resource base.

Until recently land reclamation remained a source of dispute between Egypt and international organisations. "In the past the World Bank and other donors were reluctant to support these projects. The rationale was that the payback was too long and that financial profitability was questionable. However, they have changed their stance dramatically," says Mr Khetr.

The World Bank is now supporting one of the biggest land reclamation projects in the Sinai peninsula.

Headway also seems to have been made in curbing urban encroachment. Mr Khetr says a 1983 law, which for the first time banned ploughing, building on or excavating the topsoil, is proving effective.

These successes are greeted with some caution by western advisers, who are concerned about Egypt's water supply. While the Nile flow is at present adequate, this could change if greater demands were made upstream in the Sudan.

Egypt still faces the fundamental contradiction of, on the one hand, needing to reduce the huge drain on its resources by increasing output, and, on the other, introducing reforms in a sector which supports 35 per cent of the country's labour force.

In the words of Mr Khetr: "We are true believers in liberalisation. But our programmes have to be justified not only on economic but also on social grounds."

Caroline Southey

Hugh Carnegy on the civil engineers' dilemma

Snakes and ladders

ASHRAF GHONIMA, who heads the Cairo office of Bechtel, the big US contractor, sums up the paradoxical nature of the construction sector in Egypt in two sentences.

"We have been here 10 years and in the last three years we have been doing extremely well," he says. "Egypt is a very good prospect." But a little later he adds emphatically: "We avoid anything here that is Government funded."

This may seem puzzling, given that Government contracts account for the vast majority of the local construction business – which a senior Egyptian contractor estimates is worth around EL5bn a year ($1.5 bn) – and the Government has a bad record on contract planning, management and payment. But there is a ready explanation.

A big chunk of the work commissioned by the Government is infrastructural – typically in water and sewerage, power plants, transport and telecommunications – and is heavily dependent on foreign financing. About one third of the annual US economic assistance to Egypt of $815m – all of it in grant form – goes to infrastructure projects. There are also military construction contracts supported by US military aid.

Other sources of foreign finance range from other bilateral aid programmes – such as the backing for the Cairo Wastewater Project from the British Overseas Development Authority – to multilateral agencies such as the World Bank, the Africa Development Bank and the Arab Fund for Economic and Social Development.

The assured source of funds and standards of project management that come with these large injections of foreign aid have made Egypt a fertile ground for many foreign contractors in recent years, as well as the mostly publicly-owned local operators. Big projects have included the US-British dominated Cairo wastewater scheme, said to be the biggest sewage construction project in the world, the French-built, Cofas-financed first phase of the Cairo Metro and a series of power station contracts.

Such projects have not been without financing problems. The Cairo wastewater project has suffered serious delays because of funding disputes with the authorities. A similar project for Alexandria has also been delayed.

But the outlook for a continued high level of foreign financing has been bolstered by Egypt's winning stance in the Gulf crisis and its recent economic reform agreements with the International Monetary Fund and Paris Club creditors. A recently launched $1bn project to build a 1,200 megawatt power station at Kurimat won more than $850m in foreign financing, including a $200m grant from the US Agency for International Development and a $325m loan from the Africa Development Bank.

Other big schemes which the Government intends to go ahead with over the next few years include a $500m-$750m extension of the Cairo Metro, a $1bn expansion of the Suez canal and a third terminal at Cairo international airport.

Opportunities in the private sector are much fewer and less certain. A big twin-tower office complex on the east bank of the Nile in Cairo built by Britain's Higgs and Hill for a Gulf investor has never been filled, standing as a grim testament to the risks of investing in the commercial sector.

But contractors say there are investors moving in to the important tourism sector in which the Government is keen to encourage private participation.

As Mr Ghonima indicated, however, foreign contractors and the handful of small private sector Egyptian builders are extremely wary of domestically-funded projects, such as the Government's favoured New Cities project. Any cursory inspection of the country's dismal public offices and houses shows why. The quality is appalling. Contractors say what money is spent is badly managed and, worse, the Government frequently does not pay for work completed.

Mr Ismail Osman, a director of Arab Contractors (Osman Ahmed Osman and Co), the country's biggest builder, cheerfully admits that the Government owes his company EL1bn. The state-owned banks provide the safety net, but the company's interest charges are huge - EL123m in 1989-1990, or some 12 per cent of turnover.

Criticism tends to focus on the individual ministries involved in a particular area, some of which have worse reputations than others. Mr Cherine Scandar, President of Sodeco, a private Egyptian company, cites a series of on-again, off-again moves to build new cement plants in which a French company initially awarded a contract was strung along for more than a year before the project was cancelled. "It's a mess. The Government is not able to control the awarding and follow-up of contracts," says Mr Scandar.

Mr Ghonima, however, sees conditions improving. The big state-owned contractors are high on the list for privatisation, the early planning of which Bechtel is involved in with Coopers and Lybrand. Local industry is keen to improve its management and production skills, he says, noting that the presence of international contractors has had a "trickle down" effect. For example, he says, the quality and range of locally-made building materials has much improved in recent years.

Government attitudes have also changed, says Mr Ghonima, with a much greater emphasis on quality and less emphasis on taking the cheapest option. But, again, even the layman knows that when it comes to construction quality, Egypt is playing off a very low base indeed.

Tourists are returning, writes Caroline Southey

Attractions of peace

EGYPT'S tourist industry is celebrating its own victory just 12 months after it was plunged in gloom by the Gulf crisis.

In the wake of a publicity drive, Dr Fouad Sultan, the tourism minister, is ebullient. "Trends are extremely positive. We are worried about overbooking," he says, adding that he hopes this season will be the best on record.

Last year began on a less happy note. In the fiscal year July-June 1990-91 the industry recorded 16.5m tourist nights compared with the record of 22.1m the previous year. The drop in tourist income was even more dramatic – by 60 per cent from $2.5bn to $1bn.

But the first quarter for this fiscal year (July, August, September) showed a strong rebound. In August 1991 the number of tourists from Arab countries rose by 5.6 per cent. The average increase in arrivals in August 1991 stood at 2.5 per cent. The recession in the west continued to affect non-Arab arrivals which fell by 9 per cent.

The activity at some of Egypt's famous tourists sites only partly reflects the improvement shown by the statistics. In Luxor, site of the Karnak Temple on the east bank of the Nile and the Theban necropolis on the west bank, tour guides confirm an increase in tourists compared with a year ago, but say numbers are still well down on 1989.

"We used to have 4,000 tourists a day visiting the tombs in the Valley of the Kings before the Gulf crisis. Last year there were days when no-one came. Now we have 1,000 a day."

Ferries used by tourists to cross from the east to the west bank at Luxor are running well below capacity although local tour operators reported capacity bookings in Luxor's 38 hotels for January.

Dr Sultan feels confident that occupancy rates at Cairo hotels for this holiday season would reach 98 per cent, 75 per cent in South Sinai (Sharm el Sheikh), 60 per cent in Hurghada on the Red Sea coast, and 65-70 per cent in upper Egypt – Luxor and Aswan.

He attributes some of the success to Egypt's marketing campaign after the end of the Gulf war when the government and private sector launched a campaign to sell Egypt as a secure destination.

Another factor may have been that many tourists had delayed their travel until after the Gulf crisis, contributing to a surge in arrivals in the early months of the new fiscal year.

Mr Sultan anticipates that tourist nights for 1991-1992 will reach something like 25m (compared with 22.1m in 1989/90). Income will exceed the $3bn achieved in 1989/90.

He says that another positive trend has been the fact that many hotels in Egypt are reporting tourists returning for a second, third or even fourth time. Mr Sultan says the average stay in Luxor, which used to be about one night, is now three.

The main change, he claims, is that people now know Egypt "not only for culture, but also for other activities such as leisure and conferences".

Egypt has encouraged the development of more and better facilities for tourists over the last 10 years. As a result an important factor in the growing number of arrivals has been the large increase in the number of hotel beds.

In June 1991, there were 53,000 rooms compared with fewer than 25,000 rooms in 1985. Another 14,000 rooms are under construction and will be completed in the next couple of years.

Dr Sultan says the authorities have been successful at stimulating private sector investment in the tourism sector which is by far Egypt's fastest growing industry.

There is also evidence that Egyptian nationals with large off-shore dollar deposits are beginning to invest in the sector.

New projects including extensions to the Meridien Hotel in Cairo and ambitious schemes on the Red Sea coast south of Hurghada are attracting investment from foreigners as well as Egyptians.

The industry has its tensions, however. For some involved in preserving Egypt's ancient monuments, the government is pursuing development at the cost of preserving historical sites.

"We take our monuments for granted. The government exploits their earning potential, but does nothing to protect or develop them. Not enough is being done to curb pollution and ensure we have historical attractions for decades to come," says a tour guide in Cairo.

Max Rodenbeck appraises a decade of Hosni Mubarak

Democracy from the top

IN OCTOBER 1991 Hosni Mubarak celebrated his 10th anniversary as Egypt's third president. Asked to list his greatest achievements, the former Air Force pilot was characteristically plainspoken. First, he said, came the great improvement in Egypt's infrastructure. Next came a widening of democracy.

No one would dispute the first of Mr Mubarak's claims. Many would challenge the second.

Egypt has a freer press than it ever did under previous presidents. Elections to the People's Assembly in November 1990 maintained the oppositions's minority voice in the legislature. Compared with *most of its Arab neighbours* Egypt remains a bastion of tolerance.

But 1991 also marked Egypt's 20th year under a constitution that enshrines what the French call an *état raïs*, (*raïs* being the Arabic for leader). Under the Egyptian *system*, presidential decrees have the power of law. The head of state effectively appoints and dismisses cabinet ministers, armed forces and security chiefs, provincial governors, university presidents and other officials.

Last year was also Egypt's 10th under Emergency Law. Enacted at the time of the assassination of Mr Mubarak's predecessor, Anwar al Sadat, the law permits arbitrary detention for up to 60 days and trial for some crimes in State Security Courts with no right of appeal. *Human rights* groups charge Egypt's security forces with systematic abuse of the law including the practice of torture. More outspoken opponents say trigger-happy police have shot suspects, usually Islamic activists, in cold *blood*.

Egypt's much-touted freedom of the press is true enough if taken literally to mean the printing press. Opposition newspapers can be hysterical in their attacks on the regime. But literacy is barely above 50 per cent. The important media television and radio remain state monopolies; their version of events is heavily doctored to express the government line. Film, theatre and music are censored for overtly political content, and recent cases have shown that even book publishing is not safe from officialdom's scissors.

Given the persuasive powers of the state it is hardly surprising that the ruling National Democratic Party has retained an 85 per cent majority of seats in the People's Assembly through the three general elections held *since* Mubarak *took* office. After a promising flowering under the relative liberty of the early 1980s, the legal opposition's continuing ineffectualness has demoralised Egyptian democrats.

The government does not *deserve all the blame for the* opposition's failure. Egypt's half dozen opposition parties, which ostensibly represent trends from Green to National Socialist to Liberal to Islamic, have proved remarkably inept at gaining grass-roots support.

Still, there is one political trend that challenges the government: political Islam. Its activists range from pious liberals and mainstream Moslem Brothers to violent extremist fringes. In the past decade, as Egyptian society has grown *more conservative, the breeding* ground of fundamentalism has grown.

Unlike many neighbouring governments, however, the Mubarak regime has proved adept at containing the Islamicist tide. By control of religious broadcasting, mosque sermons and Islamic institutions the Egyptian state has coopted Moslem orthodoxy. Although permitted to operate, political groups such as the Moslem Brothers are carefully circumscribed. Extremists face the *harsh teatment of the security* forces.

What the government fears more, and with good reason, is the emergence of economic problems that may arouse popular anger. Memories of serious urban riots over bread prices in 1977 have not faded. Mubarak's advisers are aware that food prices sparked the riots that forced governments in Algeria and Jordan to loosen their holds on power.

When he spoke of being proud of Egypt's democracy, Mr Mubarak did not have the Algerian model in mind. For the President and his lieutenants Egypt's stability – meaning the stability of the regime – will always be paramount. Faced with a choice between popular unrest and sticking to economic reform, *Mr Mubarak* would probably choose to let down his foreign creditors.

Private industry is the key to growth, writes Max Rodenbeck

Car makers set the pace

IF ANY sector is to create prosperity for Egypt it is industry. Already the fastest growing part of the economy, industry is facing new challenges. A shift to greater reliance on private enterprise and exports has recently accelerated as the government launches privatisation plans, liberalises rules for trade and *investment, and restructures* the state sector which still accounts for half of industrial output.

In a clear sign of re-ordered priorities, the Egyptian government last year gave General Motors and Japan's Suzuki approval to *build* passenger cars. Both companies have assembled commercial vehicles in Egypt since the mid-1980s, but had been unable to overcome the entrenched opposition of state-owned carmaker NASCO, which feared that its own inefficiently produced, outdated models could be squeezed from the highly protected local market. Analysts now expect Egypt's car production to nudge 30,000 vehicles a year by 1995, with an average 40-50 per cent local content.

Government industry officials admit that the granting of the licences marks a policy change. During its flirtation with state planning in the 1960s Egypt nationalised traditional industries such as textiles and concentrated investment in heavy industry. The public sector was managed as an extension of the burgeoning welfare state, providing guaranteed employment and *producing cheap and often* subsidised goods.

Since the 1970s the private sector's share of industrial output has grown from 15 per cent to more than 50 per cent, according to figures from the government's General Organisation for Industrialisation.

Attractive investment incentives and a divestment programme by which the state plans to sell some \$850m in shares it holds in joint ventures will soon widen the private sector's lead, Egyptian analysts say. Already, new investment in heavy industries such as a \$138m specialised steels project, a 120,000 tonne capacity paper mill and the expansion of the large Alexandria National Iron and Steel plant have been almost entirely privately financed.

Dr Mohammed Abdel Wahab, who as Egypt's Minister of Industry oversees some 150 state-owned enterprises with combined annual sales of around \$5bn, says that Egypt has turned away from its long-standing policy of import substitution. "We are now looking to the global, not the local market," he says.

Dr Abdel Wahab believes that the current major *shake-up of the public sector*, signed into law last year, will help to further this goal. "Law 203 was the most important event of 1991," he says, describing its effect as to lower an "iron curtain" between government and the *industries it owns*.

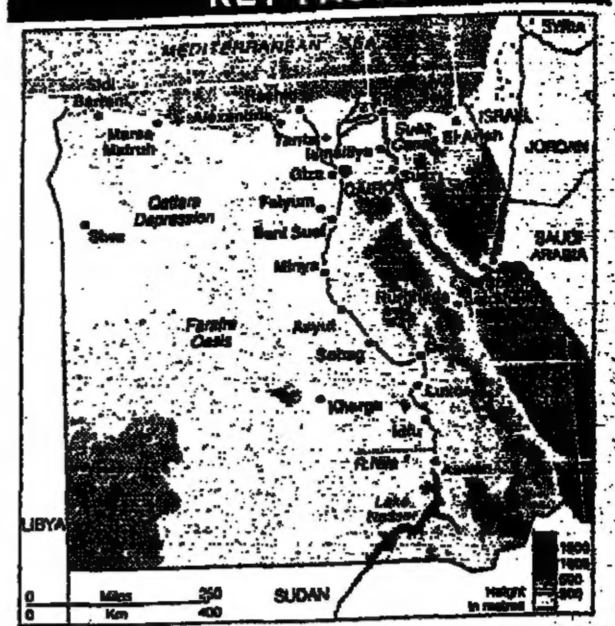
Under the law, all state industries – including some outside the purview of the Industry Ministry – will be organised into Italian style sectoral holding companies responsible to a single Public Sector Minister. The holding companies will be given unprecedented freedom to map strategy, appoint management, raise capital and, perhaps most importantly, to sell off assets. "Some holding companies will have to sell successful parts to pay to restructure bad parts," says Dr Abdel Wahab, but adds: "We want privatisation to be a tool for restructuring, not an objective in itself."

The minister promises that private and public sector companies will soon operate under precisely the same rules. Already the two compete on equal terms for capital and foreign exchange, and will soon pay *the same prices for energy. The government has* stopped financing enterprises from its own budget; state owned companies must find their own resources.

Dr Adel Gazarine, a former chief executive of NASCO who now runs a private consultancy, believes the new public sector law will be useful as a transition. But ultimately, he says, some state industries are likely to die.

During a recent visit, International Finance Corporation director Sir William Ryrie said he believed Egypt was on the verge of a period of sustained growth in which industry would play a growing role. "Egypt is at the same stage Turkey was at 10 years ago," said the IFC official, adding that as a sign of confidence the World Bank's private finance arm planned to invest up to \$80m a year in Egypt.

KEY FACTS



Area	997,688 km²
Population	53.15m (mid 1990)
Head of State	President Hosni Mubarak
Currency	Egyptian Pound = 100 piastres
Average exchange rate	1991 \$1 = E£3.24 Latest \$1 = E£3.31

ECONOMY	1990	1991
Total GDP (\$bn)	25.12	n/a
Real GDP growth (%)	10.8	n/a
GDP per capita (\$)	473	n/a
Components of GDP (%)		
Private consumption	80.5	n/a
Gross fixed investment	23.2	n/a
Stockbuilding	0.4	n/a
Government consumption	12.7	n/a
Exports	21.7	n/a
Imports	38.4	n/a
Consumer price inflation[1]	16.8	21.3
Reserves minus gold[2] (\$m)	2,684	4,094
Narrow money growth[3] (% pa)	16.6	17.2
Broad money growth[3] (% pa)	28.7	34.9
Discount rate[4] (end period)	14.0	21.3
Gross external debt (\$bn)	35.0	n/a
Debt service ratio (%)	21.0	n/a
Current account bal.(\$bn)	0.24	n/a
Exports (\$bn)	4.65	n/a
Imports (\$bn)	13.29	n/a
Trade balance (\$bn)	-8.64	n/a
Main trading partners (88/89)	Exports	Imports
Italy	30.9	11.5
US	8.1	19.3
West Germany	4.9	10.0
France	4.5	10.1
UK	5.5	4.6

Notes: 1991 data is updated to the months noted below: (1) % change, year to July; (2) end August; (3) % change, year to May; (4) September.
Source: IMF, Datastream, Economist Intelligence Unit.

Pirates and videos assail the Arab world's 'Hollywood'

Cairo film studios in crisis

SWITCH on a television anywhere in the Arab world and the language one hears is likely to be the urban slang of Cairo. The city's entertainment industry dominates 150m Arabs as Hollywood's dominates the English speaking world.

But after seven decades in film making and three in filling the region's television screens, Egyptian show business is in a crisis. From 100 feature films a year in their 1950s heyday, the output of Cairo studios has dropped to only 30, producing a meagre annual turnover of \$10m. Egypt's state-owned Radio and TV Union once supplied 70 per cent of programming in the Arab world. Competition from satellites, video and nascent national studios have whittled away its market share.

For Egypt's cinema industry the foremost obstacle is finance. "We have excellent artists, excellent technicians and no real competition in the Arab nation," says Mounib Shafei, who heads the cinema branch of the Egyptian Chamber of Industries. "Our whole problem is economic."

With cinema attendance in decline and video piracy rife in the home market, Egyptian film makers have come to rely on foreign sales for two thirds of their revenues. That gives their foreign distributors so much clout that a handful of Arab producers now finance 80 per cent of the industry.

A typical Egyptian film costs \$200,000 to shoot. Most studios finance production by selling a film in advance to a distributor in the Gulf. With his foreign right sold, the film maker's profits must come from local sales.

Serious film makers are concerned by Gulf money's effect on the standards of Egyptian cinema. Foreign producers tend to be unadventurous, demanding only well-known stars and formula scripts studded with plenty of flesh and violence.

Financial pressures have limited the creativity of younger directors such as Mohammed Khan, Khairi Bichara and Atef al Tayeb whose work is representative of a trend away from the slapstick humour and melodrama that Cairo studios are famous for. The real Egyptian issues they like to treat — class conflict, urban crowding, corruption, the hypocrisy of tradition — are of no interest to video watchers in the Gulf.

Efforts to secure local financing have not been encouraging. Egyptian producers are wary of alienating the foreign finance monopoly. Director Mohammed Khan set a precedent by financing his latest film, *Knight of the City*, with a bank loan. Given the difficulties he has had getting the film screened in Egypt and sold abroad, few are likely to follow in his steps.

Nevertheless there are some bright signs for the future. Egyptian producers have plans to set up a joint production fund and a centralised agency for foreign sales. Long closed by inter-Arab squabbles, lucrative markets for Egyptian films have reopened in Lebanon, Syria and Libya. Anti-piracy structures which will soon be legislated in Egypt and other Arab countries should boost video sales that generate the bulk of income.

As a near monopoly of the state, Egypt's television production faces different problems. Its most successful products — soap operas, religious programmes and variety shows — remain popular outside Egypt. But the Radio and TV Union's bureaucratic approach has depressed artistic standards just as the sophistication of Arab audiences has grown. At the same time Gulf countries have promoted their own programming, often luring away the best of Egypt's technicians.

Officials at the Radio and TV Union refuse to disclose sales figures that probably run into tens of millions of dollars, but admit that their share of Arab programming has fallen.

"Ten years ago we were the only producers of drama," says Mrs Zeinab Ezzat, who runs the Union's foreign sales department from a dingy, cramped office. "But now Arab countries are producing their own programmes. They get satellite TV. There is even private TV production."

Still, Mrs Ezzat appears unworried. "The competition is better for us. If we make better quality the viewers will ask for Egyptian programmes."

Max Rodenbeck